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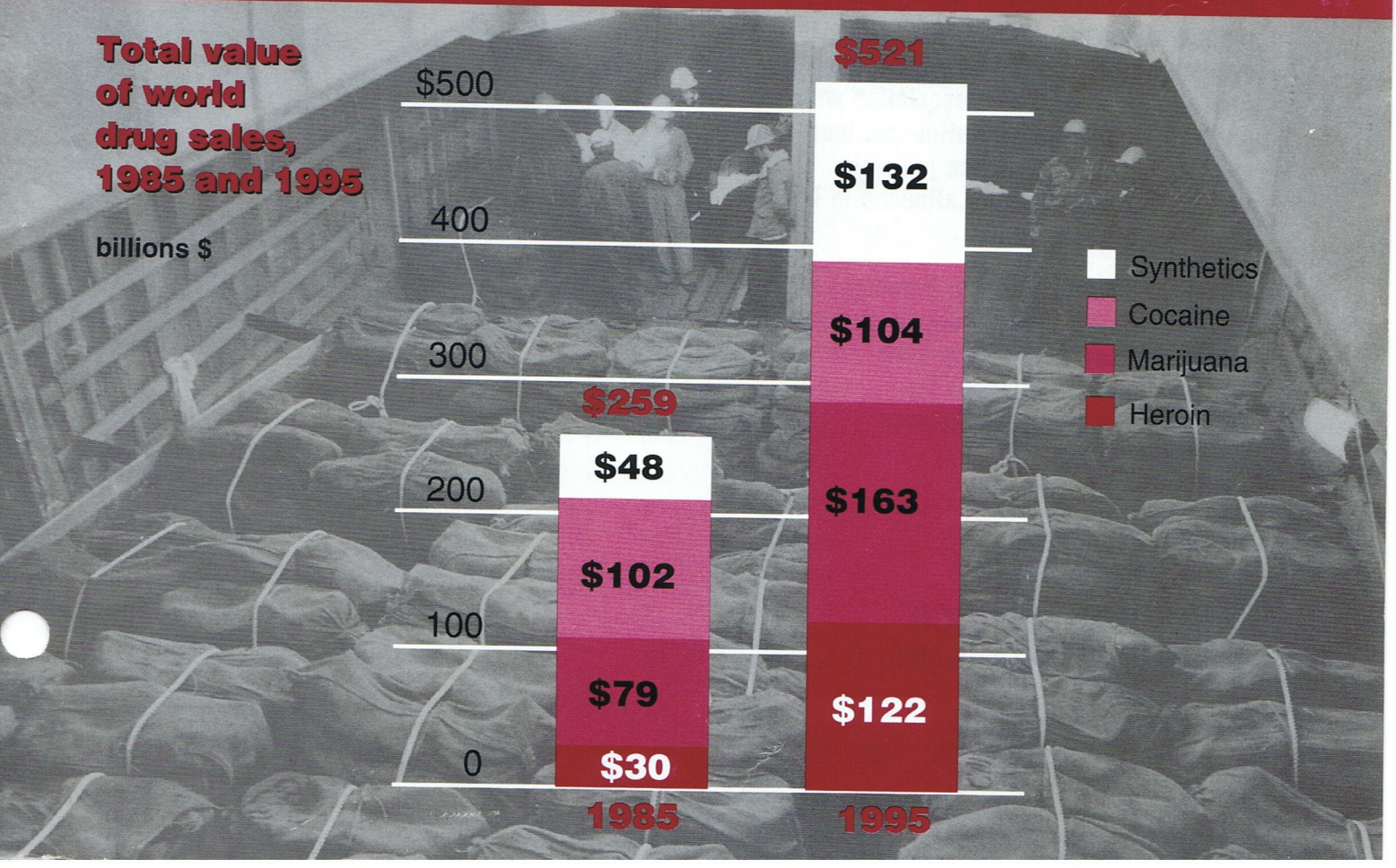
Not the stock market, but the whole shebang

Bosnian leader: Help us restart our engines!

Clinton denies visa to Colombia's Samper

Britain's Dope, Inc. grows to a $521 billion business



U.S. workers—had launched a great-projects plan in three steps, among them the Tennessee Valley Authority, for instance, creating a fund for projects of several billion dollars."

The plan calls for strengthening productive investments through low-interest, long-term credit (10- to 45-year credit at 2%) for: small firms, key sectors of which, such as machine tools, paper, and furniture, are in bad shape; soft infrastructure, such as hospitals and schools; and heavy infrastructure, including dams, canals, and completion of 3,500 kilometers of high-speed rail lines. It calls for the Bank of France to provide FF 500 billion over five years, through a special facility that already exists in the Treasury, to finance the program.

Spain

Anti-privatization platform drafted

A coalition opposed to the government's plan to privatize public health services, has stalled such plans. The newly formed group includes the Communist and Socialist trade unions, and groups such as the Association to Defend Public Health Care, Spanish Confederation of Parents of Schoolchildren, and the State Confederation of Consumers. Their platform says that the government's recent decree introducing "new forms of management" to rule the public hospitals, is in fact a pretext for cutting off public financing and turning private insurance firms into the real bosses of the system.

Government fear of a strike wave like that in France in December 1996 prompted Health Minister Romay Beccaria to say that state financing of hospitals would continue, and that there is no intention of privatizing the service. His remarks were greeted with skepticism by all political tendencies, *El País* reported on July 9. Cuts, he said, will be borne by "the laboratories, the pharmacies and the public health bureaucrats." When the new government first said investment in hospital infrastructure would be stopped, they were told that the public hospitals are "falling to bits" and that the "high technology" was high—decades ago.

Our aim, said Romay, is simply to "put a ceiling on what will be allowed to increase by only 1% a year. Pay raises for public health officials will be limited to 1.5%; pay for these officials is 60% of the ministry's total budget. The government also decided not to introduce the "dissuasive" method used in France to lower health care costs, by which those insured with the public health service must bear 30% of all medical costs themselves.

'Free Trade'

Asian 'tiger' economies run into export slump

Member-nations of the Association of Southeast Asian Nations (ASEAN) suffered a sharp slowdown in export growth in the first four months of 1996, as the would-be "tiger" economies are losing their "competitive edge" to cheaper labor markets in China, India, Vietnam, and Burma, the July 13 *International Herald Tribune* reported. Singapore and Malaysia have been particularly hard hit by a slump in the world electronics market, in which they had concentrated substantial manpower and resources. Hewlett Packard announced July 10 that it will close its disk-drive manufacturing facility in Penang, Malaysia's "Silicon Valley," while Singapore "restructured" more than 7,000 jobs in 1995.

Thailand is the hardest hit, with a $6.4 billion increase in its foreign trade deficit in the last two years. Bangkok is feeling the pinch of its too-small and less-skilled workforce, and serious transport and infrastructure bottlenecks. Chulalongkorn University recently reported that the illegal economy, led by prostitution and gambling, is consuming manpower and development resources at a rate greater than the annual budget of the country.

The challenge, the paper said, is to "climb the ladder of industrialization by upgrading skills and attracting increased investment in manufacturing plants." However, ASEAN's targets are for full trade liberalization and tariff reduction by 2003, which will worsen the situation.

Briefly

CANADA signed an agreement to supply two 700-megawatt, heavy-water nuclear reactors for the Qinshan plant, near Shanghai, China, Xinhua news agency reported July 14. "This is the key agreement, finalizing the price, terms and financial conditions," a Canadian diplomat said.

FRANCE'S economics minister, on July 12, announced measures to reduce the tax burden on international banks and financial institutions based in France, and on their expatriates working in France. According to official statistics published the same day, salaries in France have fallen by 0.4% over the past 12 months after adjustment for inflation.

JORDANIAN Supply Minister Munir Sobar announced June 30, that the price rises for bread (over 300%) scheduled for July 15 would not be implemented, because of social protests, the July 1 *Jordan Times* reported. The increase is a demand of the International Monetary Fund.

THE NAMIBIAN Agricultural Union is seeking international help to address the financial problems of the country's agricultural sector, the July 10 South African *Mail and Guardian* reported. The NAU said that few commercial farmers would survive without subsidizing interest rates. The number of beef cattle has declined by 56%, from 2 million in 1955, to 870,000 in 1995.

AMSCHEL ROTHSCHILD, heir apparent of the London merchant bank, reportedly committed suicide on July 8. Amschel was the second son of the late Lord Victor Rothschild, and is a half-brother to Lord Jacob Rothschild. Friends told the media that he was not depressed.

MILK production in the 22 top milk producing U.S. states (which account for 86% of U.S. milk produced) declined 0.3% in the first quarter, compared to 1995, the International Dairy Foods Association reported on June 13. Skyrocketing feed-corn prices have forced a 0.83% cut in herd size.

Britain's 'Dope, Inc.' grows to $521 billion

by Dennis Small

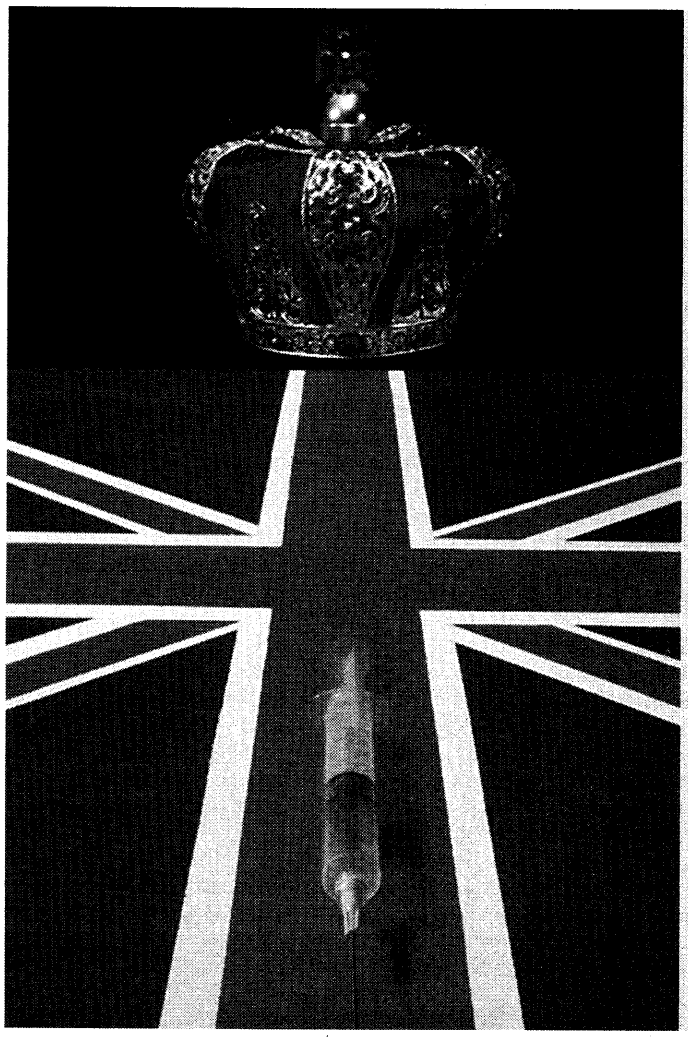
The war on drugs *can* be won. There is no need to raise the white flag of surrender and tolerate legalization. There is no reason to accept yet another generation of American youth being turned into blank-stared, lost souls. We don't have to watch any more Third World nations sink into the slavery of drug-producing dictatorships. And we need not, and must not, allow the world financial system to remain addicted to—and governed by—blood money from the drug trade, just as a heroin addict is hooked on smack.

The apparatus which runs the international drug trade—or Dope, Inc., as Lyndon LaRouche and associates have called it for nearly two decades—is an entity which can be known, profiled for weaknesses, publicly identified, and *destroyed* by concerted action carried out by cooperating sovereign nations.

That is the single, most important conclusion to be drawn from the detailed information and analysis presented in the pages that follow.

Does the Queen run drugs?

Who is behind Dope, Inc.? Does the Queen of England really run drugs, as people often ask LaRouche in shocked disbelief? No more than Adolf Hitler killed millions of innocent people. Neither of the two com-



It is demonstrably the case that powerful oligarchical financial interests, centered in Great Britain, run the drug trade today, from the top down, as they have for centuries, almost as if it were a single, multinational firm.

Shown here is the cover graphic to *Dope, Inc.: Britain's Opium War against the United States*, the book which exposed the British Crown forces behind the drug trade.

mitted the crime personally, with their own hands—at least, not as far as can be proven. But, in both cases, it is their policies, their *intentional* policies, which fit the Nuremberg Tribunal's criteria of "knew or should have known" what the deadly consequences of their actions would be, which are responsible for massive crimes against humanity.

In the case of drugs, it is demonstrably the case that powerful oligarchical financial interests, centered in Great Britain, run the trade today, from the top down, as they have for centuries, almost as if it were a single, multinational firm—thus the sobriquet, "Dope, Inc." As we document below:

• The British Commonwealth and other countries under the British imperial thumb account for 94% of all licit and illicit opium production in the world today, which is the source of deadly heroin. Historically, opium has been *the* British drug par excellence.

• In Colombia, the linchpin country in the world cocaine trade, the narco-dictatorship of Ernesto Samper is being buttressed in power, against the Clinton administration's escalating pressure, by the British House of Lords, whose members describe Samper's Colombia as a "model democracy." And British government officials, such as Trade Minister Richard Needham, rub it in by snootily commenting to the media in Colombia on the subject of U.S. concern over drugs: "That is *their* problem."

• Belize, the British Commonwealth nation which borders on Mexico, plays a critical role in the transshipment of Colombian cocaine up through Mexico into the United States. The narco-terrorist Zapatista National Liberation Army in the adjacent Mexican state of Chiapas, was manufactured by British intelligence to aid in this and related projects.

• Most significant of all, the British directly control an estimated 52% of all dirty-money-laundering operations globally—which is the actually the controlling force behind the international drug trade, as we show in the pages that follow.

Those yearly proceeds from the drug trade, totalling an estimated $521 billion in 1995, are supplemented by some $200 billion from tax evasion, $125 billion from flight capital, $100 billion from illegal gambling and prostitution, $100 billion from contraband commodities, and $70 billion from the illegal weapons trade, to add up to a *trillion-dollar-per-year* flow of dirty money. This is the crucial margin keeping the global speculative bubble afloat—all $75 trillion of it. Cut off that flow of laundered money, and the entire speculative system will implode, more or less overnight.

It is this, above all, which is the driving force behind the British sponsorship of drug trafficking, and their use of supranational institutions such as the International Monetary Fund and the United Nations, to impose economic policies which promote the drug trade.

Dope, Inc. doubled in a decade

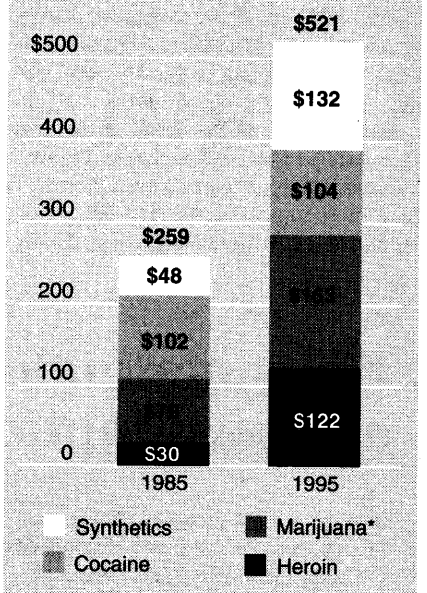
The yearly "take" from illegal narcotics can be conservatively estimated at $521 billion in 1995, a 101% increase over the $259 billion of a decade earlier (see **Figure 1**). The sales revenues come from four principal drug categories:

Heroin, which quadrupled from $30 billion in 1985, to $122 billion in 1995, has over 5 million addicts worldwide, most of whom are located, not in the United States or Europe, but in the *producer* nations (for example, Pakistan), where 70% of world heroin consumption occurs.

Marijuana, still the "drug of preference" in the United States, where over 10 million people use it yearly, has more than doubled, from $79 billion in 1985, to $163 billion in 1995. Marijuana has been, and remains, the "gateway" drug, which has introduced an estimated 72 million Americans into experimenting with illegal drugs.

Cocaine, whose dollar value was relatively steady over this period, grew from $102 billion in 1985, to $104 billion in 1995. This is because the physical output of the drug grew significantly over the decade

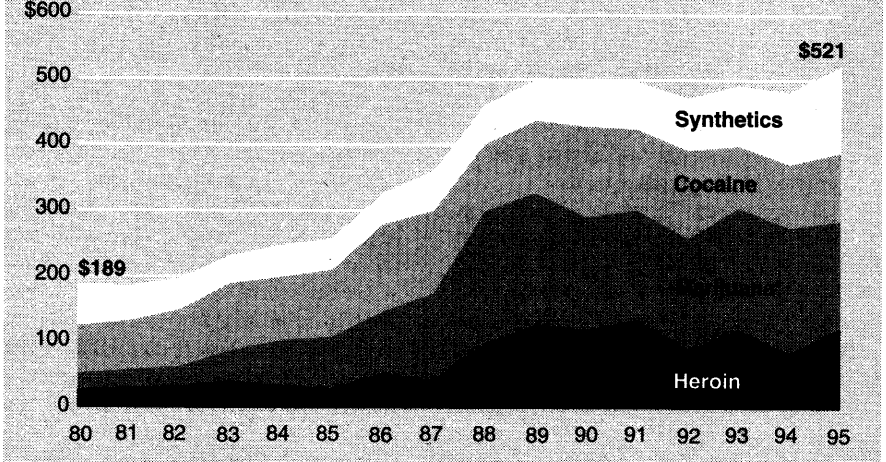
FIGURE 1
Total value of world drug sales, 1985 and 1995



* including hashish.

Sources: NNICC; INCSR; DEA; UN; OFECOD, Peru; PGR, Mexico; ANF, Pakistan; NALA; Abt Associates; NORML; *EIR*.

FIGURE 2
Total value of world drug sales



* including hashish.

Sources: NNICC; INCSR; DEA; UN; OFECOD, Peru; PGR, Mexico; ANF, Pakistan; NALA; Abt Associates; NORML; *EIR*.

(by about 104%), but this was nearly offset by an equivalent drop in the average price per gram of cocaine on the streets of both the United States and Europe.

Synthetic drugs, such as methamphetamines, PCP, and LSD, also grew sharply, from $48 billion in 1985, to $132 billion in 1995, a near tripling in the 10-year interval.

Although the dollar value of the drug trade doubled over the last decade, **Figure 2** indicates that this wasn't an even process: It grew more rapidly in the first half of the decade than it did in the second half. However, it would be a serious mistake to conclude from this that the drug problem is somehow leveling off. Rather, what is going on is a period of relative consolidation, preparatory to a new take-off stage in production, consumption, and the value of total sales—a trend which is already visible in the figures for the last two years. In other words, what we are seeing is a classic "S-shaped" function, whose stage of relatively slower growth has already ended, as the curve accelerates back upwards.

There are two principal reasons for this conclusion.

First, the data used in this study, and reflected in the graphs, do *not* include information on Russia, or other states of the former Soviet Union or of the East bloc. The reason is that data on this area are simply not available, neither publicly available, nor, according to high-level law-enforcement sources, even privately available to the U.S. government. And yet, it is universally acknowledged that, since 1989-91 especially, there has been an explosion of drug consumption and production in the region, most notably in the former Soviet republics of Central Asia. In fact, this has been Dope,

EIR's methodology and assumptions

Over the past two decades, *EIR* has conducted a number of in-depth investigations of the size of the international drug trade. Although the current study is by far the most detailed and systematic to date, each of these has addressed the matter from the same vantage point: that Dope, Inc. functions like a single, unified, multinational corporation, whose various production, processing, transportation, distribution, sales, consumption, and money-laundering phases are centrally coordinated to a single purpose.

We therefore discard as misleading, and inaccurate, all "demand-" or consumption-based approaches, whose implicit assumption is that the "aggregate demand" for drugs by a collection of autonomous individuals, "causes" drugs to be produced, presumably by a collection of equally autonomous producers who only associate after-the-fact into various criminal cartels. In this view, money laundering is merely an epiphenomenon, and drug bankers are only the occasional bad apples who are corrupted by the producer cartels.

Even the most thorough of such "consumption"-driven approaches inherently underestimate the actual scope of the drug problem, and vastly so, probably by a full order of magnitude. For example, the National Household Survey on Drug Abuse (NHSDA), the most comprehensive survey of drug use in the United States, depends on responses to surveys from purported drug users. But, as the private consultants Abt Associates admit, in their extensive 1995 study prepared for the White House Office of National Drug Control Policy (ONDCP), entitled "What America's Users Spend on Illegal Drugs, 1988-1993," "drug users often misrepresent their drug use when interviewed. . . . Those who are reached probably have an incentive to misrepresent their consumption." No amount of sophisticated mathematics and complex regression analyses can make up for flawed assumptions and methodology: It only makes the problem worse by convincing the gullible layman that it is somehow "scientific."

And what of the rest of the world outside the United States, where even less is known about consumption, and such surveys are non-existent? What of the millions of unsurveyed heroin "consumers" in Pakistan, Afghanistan, or Thailand? How are we to judge Dope, Inc.'s role in such areas of the world?

By its very illegal nature, Dope, Inc.'s size and activities are not directly reported. However, one can obtain a far more accurate—if still not precise—reading, by analyzing the *physical economy* of the drug production process, and estimating what the annual value of the total physical output of the drugs would be, were they fully marketed at retail street prices. In using this approach, *EIR* has made use of official data provided by numerous governments, as verified and corrected by direct *EIR* consultation with knowledgeable sources in various drug-producing countries. We are convinced that our global findings about the dimensions of Dope, Inc. err on the conservative side.

The single most comprehensive, and consistent time series for much of this data is provided by the U.S. government's National Narcotics Intelligence Consumers Committee (NNICC), a multi-agency task force which includes the Drug Enforcement Administration (which chairs the group), the Federal Bureau of Investigation, the Department of the Treasury, the U.S. Customs Service, the U.S. Coast Guard, the Department of State, the Department of Defense, the Internal Revenue Service, the Central Intelligence Agency, the National Institute on Drug Abuse, the Immigration and Naturalization Service, and the Office of National Drug Control Policy.

The NNICC produces an annual report which presents a range of probable hectares under cultivation for each of the major drug crops: coca, marijuana, and opium. These estimates come from aerial surveys, on-site inspections, country reports, and other data. They then multiply their area figures by estimated yields per hectare, which provides an estimated range of output in tonnage. In most cases, *EIR* has used the higher value of the range under consideration, since it seems most likely that some of the drug crop escapes detection. In specific cases where other data were available for cross-checking, the higher figures were in fact borne out as the more accurate. Also, where official data were subsequently modified by new estimates for either area cultivated or yields, the modifications almost always increased the earlier estimates.

In some cases, additional physical production data were obtained from the yearly *International Narcotics Control Strategy Report* (INCSR), published by the U.S. State Department, which has more detailed country studies than the

Inc.'s principal "growth market" over the last five years. When data finally do become available as to what has been happening over this period, there is no question but that the totals for 1990-95 will have to be adjusted upwards accordingly. If unchecked, it furthermore portends an ominous, exponential leap over the next few years in all drug-related parameters in this strategically critical region.

There is a precedent, on a far smaller scale, for this type of phenomenon. In 1989, official marijuana production figures for Mexico were announced that were *twelve times* greater than what was reported for 1988. Actual output didn't grow that much in one year. What happened is that systematic surveillance flights were conducted for the first time during that year, and Mexican and foreign law-enforcement agencies discovered that they had been sitting on a mountain of marijuana, undetected and out of control.

The world will shortly discover something similar regarding Russia and other former Soviet countries: The problem there is *already* probably an order of magnitude greater than anyone has dared to imagine.

The second consideration behind our "S-shaped" curve hypothesis, has to do with Dope, Inc.'s deliberate pricing policies.

If ever there were any doubts about the cartel-like nature of Dope, Inc., the next three figures should put them to rest. When cocaine (and especially crack cocaine) was first introduced into the U.S. market, its price was so high ($640 per pure gram in 1977) that there was not much of a market for the drug. Dope, Inc. then employed a classical marketing technique, taken from a Harvard Business School manual: They deliberately slashed the price of their "prod-

NNICC annual report.

If one starts with such figures for total potential crop output, based on the amount sown or cultivated, one must then subtract the amount eradicated before the crop is even harvested. In the case of marijuana, this is quite substantial; with coca and opium, less so. This leaves the total amount harvested, or the total production of the raw material of the drug in question. Then, standard conversion ratios are applied for the respective refining processes, taking into account variations both over time, and from one country to the next. For example, 10 kilograms of opium yield 1 kilogram of refined pure heroin—pretty much across the board. In the case of cocaine, back in the mid-1980s, it took about 500 kilograms of coca leaves to produce 1 kilo of pure cocaine HCl; whereas in the 1990s, the productivity improved, and it now requires only 333 kilos of leaves to produce a kilo of cocaine, according to official estimates.

In this way, we generate a time series of the physical amount of output of each of the refined drugs. From that amount, one must subtract the amount lost to seizures worldwide, which leaves a net amount which is potentially available for sale. We say "potentially," because there is no way of determining whether the entirety of this amount is actually sold in a given year, or whether some of it is lost to spoilage, or is stockpiled for use in subsequent years. But as a trend, it is the best available indicator of Dope, Inc.'s marketing process.

EIR then determined, in broad terms, how much of the total net production was consumed locally in the producer countries, and how much was exported, differentiating the share which went to each of the major export markets (the United States and Europe). This breakdown is necessary, because the price of cocaine and heroin, for example, is significantly different in these three markets (local, United States, and Europe).

With this determined, the amount available for sale in each market was multiplied by the respective average retail street sale price for each drug (taking into account variations in purity from year to year). This then yielded the total value of potential sales of that drug per market, which was reaggregated to give world totals.

U.S. retail prices for marijuana, cocaine, and heroin were obtained and cross-checked among various sources, including NNICC (using the median value of the range they report), Abt Associates, and others. It should be noted that price and purity information are the only data generated by the methods of street samples and surveys, which are relatively reliable.

In the case of Europe, no similar time series currently exists for any of these drugs. *EIR* developed the first such published series of which we are aware, based on partial data for a half-dozen European countries, made available in various United Nations study documents. Other empirical studies of purity levels of drugs sold in Europe were then applied, to develop a single series for the estimated price per pure gram of cocaine and heroin. Those findings are presented in the graphics that follow.

More specific assumptions and estimations employed in the calculations are as follows:

Cocaine: quantities of production as per NNICC, and Peru's Executive Office of Drug Control (OFECOD); U.S. sales prices 1977-80 from NNICC, 1981-95 from Abt Associates.

Marijuana: U.S. eradication as per Drug Enforcement Administration (DEA) data, and quantities of production were estimated based on an eradication ratio of 33% in 1985, dropping to 20% in 1995, based on DEA and National Organization for the Reform of Marijuana Laws (NORML) information; U.S. *sinsemilla* equals 25% of the total crop in 1983, rising to 40% in 1995; Mexico production and eradication as per INCSR, NNICC, and the Office of the Attorney General (PGR) of Mexico, with the exception of the period prior to 1989 (see text of article on marijuana for detailed explanation); all other countries' production and eradication as per NNICC and INCSR; on *hashish,* quantities as per NNICC and the National Alliance of Lebanese Americans (NALA) for Lebanon, with retail price assumed equal to that for *sinsemilla* marijuana in the same year.

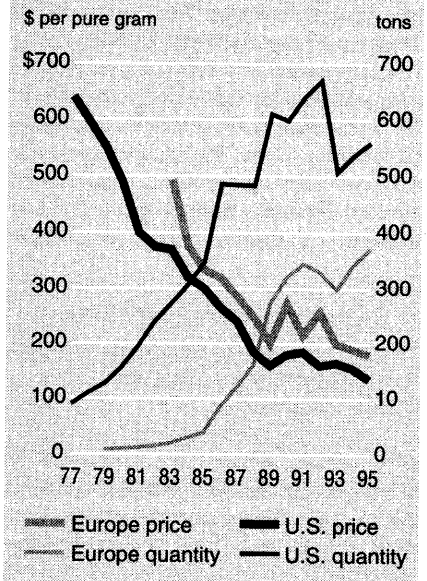
Heroin: production and eradication data as per NNICC (median value) and INCSR; percentage of total opium that is converted to heroin is based on INCSR and other country sources, including NALA and Pakistan's Anti-Narcotics Force (ANF) (in Burma, 20% in 1980, rising to 70% in 1995; Laos 50% in 1980, rising to 80% in 1995; Thailand 100%; China 50%; Afghanistan and Iran, 50% in 1980, rising to 85% in 1995; Pakistan 70% in 1980, rising to 100% in 1995; Lebanon 100%; India 10% in 1980, rising to 50% in 1995; and Mexico, Colombia, and Guatemala 100%); local or regional consumption of heroin as per INCSR, UN, and country sources; of total Southeast Asia exports, assume 75% shipped to the United States, and 25% shipped to Europe; Southwest Asia exports 25% to the United States, and 75% to Europe; Ibero-America exports 100% to the United States; prices in the United States and Europe as explained above; local price of heroin assumed to be 10% of the current European price.

Synthetic drugs: this is fully explained in the article below on synthetics.

—Dennis Small

FIGURE 3

Cocaine: price vs. quantity produced, U.S.A. and Europe



Sources: NNICC; UN; OFECOD, Peru; Abt Associates; *EIR.*

uct" in order to increase the volume of purchases. It worked for Henry Ford's "Model T," and it worked for Dope, Inc. As the U.S. price was reduced down to $135 per pure gram in 1995, the quantity of cocaine shipped to the United States for sale, shot up from 85 tons in 1977, to 560 tons in 1995 (see **Figure 3**).

The identical marketing strategy was repeated for Europe a few years later, with equal success. The European street-sale price of cocaine has closely followed the U.S. trajectory down, with a phase difference of a few years: It dropped from $493 per pure gram in 1983, to $180 today. Not surprisingly, the quantity shipped for sale in Europe rose too, from next to nothing in 1979, up to 373 tons in 1995. In fact, as **Figure 4** shows, Europe's estimated share of world cocaine sales has been steadily rising, and today stands at about 40% of the world total. This parameter also does not take into consideration the opening up of the *eastern* European market, which will further shift the proportion in the years immediately ahead.

Back in 1990, *EIR* had already warned of exactly this danger, in a feature story on the drug trade. "Dope, Inc. is now engaged in a vast expansion of its markets in Europe and Japan, which, if not checked, will do to their youth, their cities, and their economies what has already been done to ours in America," we forecast.

If one looks at the global pattern, as reflected in **Figure 5,** one sees how successful Dope, Inc.'s strategy has been: World cocaine prices dropped from $640 per pure gram to $150 per pure gram between 1977 and 1995 (a decline by a factor of 4.3), while the quantity produced skyrocketed from 90 tons to 933 tons (a factor of more than 10). Furthermore, world cocaine production is now set for another take-off stage after a few years of relative stagnation, as we document in the section on cocaine below.

It should be noted that Dope, Inc. has engaged in similar marketing tactics for heroin: From 1980 to 1995, the U.S. price per pure gram was cut by more than half and the European price by two-thirds, while production rose sixfold.

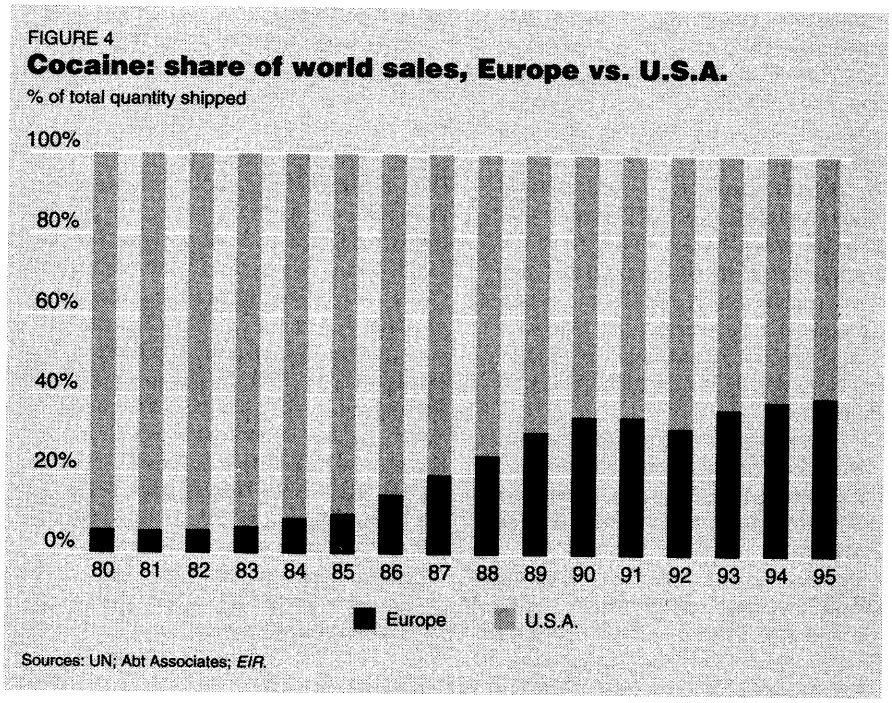
A war-winning strategy

The LaRouche movement has been at war with Dope, Inc., and its British sponsors, for nearly two decades. The first salvo was our 1978 publication of the best-seller *Dope, Inc.: Britain's Opium War Against the United States.* That was followed by the founding of the National Anti-Drug Coalition and its magazine *War on Drugs;* by numerous exposés and feature stories in *EIR;* by two additional English-language editions of *Dope, Inc.;* and by a Spanish-language edition, called *Narcotráfico, SA,* which was so provocative to the drug bankers that it was banned in Venezuela (and almost banned in Peru).

We take this opportunity, of the publication of this *EIR Special Report,* to announce that *EIR* will be releasing a *new,* updated edition of the book *Dope, Inc.,* in both English and Spanish editions, in the next few months. We intend it as a battle manual to put Dope, Inc. out of business, once and for all.

FIGURE 4

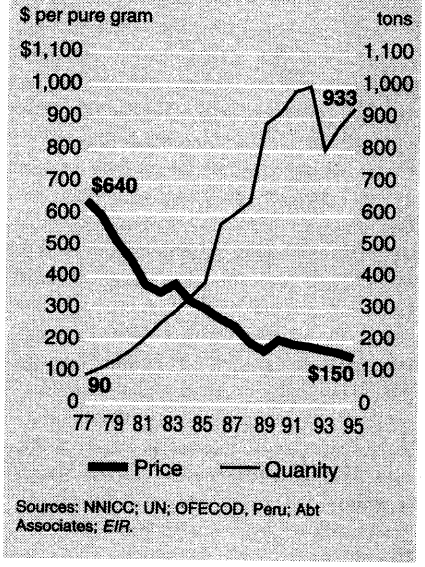
Cocaine: share of world sales, Europe vs. U.S.A.



Sources: UN; Abt Associates; *EIR.*

FIGURE 5

Cocaine: world price vs. quantity produced



Sources: NNICC; UN; OFECOD, Peru; Abt Associates; *EIR.*

Production set for a new takeoff stage

by Dennis Small

Nowhere is the foolishness of the standard demand-driven analysis of the drug trade more evident, than in the case of cocaine. The typical official argument goes like this: U.S. "demand" for cocaine has been dropping—for reasons undefined—since about 1989-90, and as a result, hard-core users supposedly fell from 2.6 million to 2.1 million during 1989-93, while occasional users declined from 6.5 million to 4.1 million during the same period. The White House's own showpiece publication, *The National Drug Control Strategy: 1996,* announced hopefully that "cocaine use has fallen 30% in the last three years alone."

The data for these conclusions were drawn principally from surveys of households and of prison populations, where drug "consumers" are questioned about their habits. Reliable information? Hardly.

Not surprisingly, such surveys also produce internally contradictory evidence. For example, the same White House report which talks about an overall 30% *drop* in cocaine consumption, also reports a 1995 increase of cocaine use among high school students. Similarly, the NNICC annual survey for 1994 reports: "Survey results for 8th and 10th graders indicated an increase in all cocaine use categories from 1993 to 1994." So, is cocaine consumption falling or rising? Or, is it falling rapidly among adults, while rising swiftly among adolescents?

The actual picture of the U.S. and the world cocaine market is better approached from the opposite direction: by looking at what Dope, Inc. is physically *producing* for market, in order to generate its gigantic flows of hot money. Consumption levels are a *result* of that orchestrated offensive, not its cause. From that standpoint, it is evident that the supply of cocaine has continued to grow, as has its availability in both the United States and Europe.

Cocaine production: an 'S-shaped' curve

Cocaine hydrochloride, commonly called cocaine, is produced from coca leaves. Coca plants are grown in significant quantities in only three countries in the

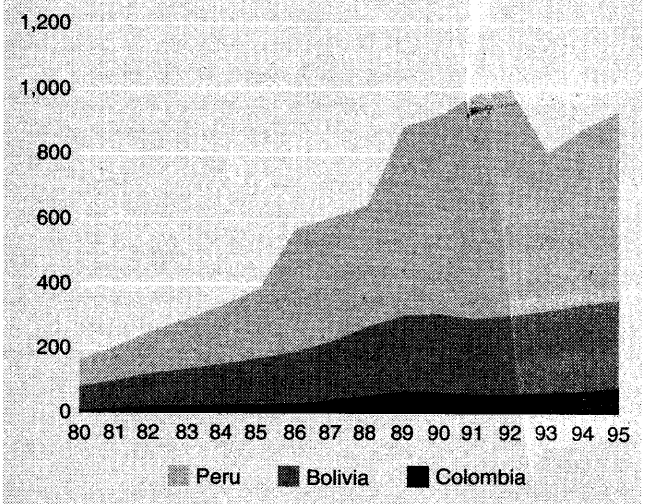
MAP 1
Coca cultivation in the Andes, 1985

Source: *EIR.*

MAP 2
Coca cultivation and refining in the Andes, 1995

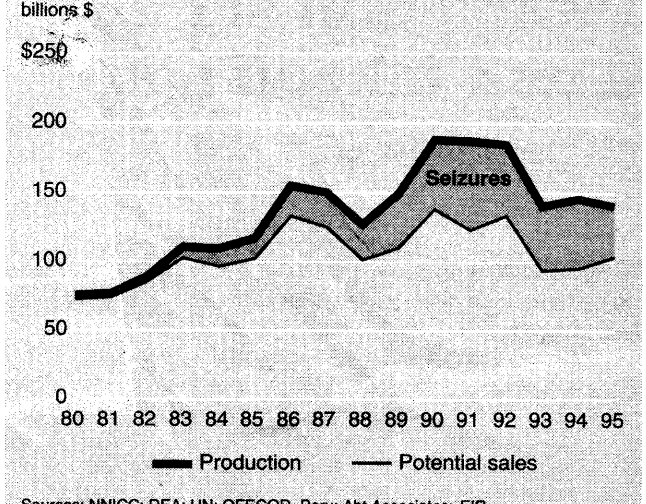
Source: *EIR.*

FIGURE 6
Cocaine: quantity produced



Sources: NNICC; OFECOD, Peru; *EIR*.

FIGURE 7
Cocaine: value of production vs. potential sales



Sources: NNICC; DEA; UN; OFECOD, Peru; Abt Associates; *EIR*.

world: Colombia, Bolivia, and Peru, all in the Andean region of Ibero-America. The coca leaves are then converted into cocaine paste, and from there into pure cocaine, with the use of a variety of easily acquired chemicals, such as ether and acetone. Although these are legal chemicals that have valid industrial uses, they are obtained illegally by the drug traffickers in large quantities, principally from the United States, western Europe, and also Brazil.

As **Maps 1** and **2** show, there has been a significant increase in the area under coca cultivation in the Andean region, between 1985 and 1995. Most of the coca is grown in Peru, while most of the processing laboratories are located in Colombia. (More recently, laboratories have also been established in the Amazon region of Brazil.) However, Dope, Inc. has woven an elaborate logistical interconnection throughout the region, in which tens, if not hundreds, of illegal cocaine flights occur daily, transporting drugs, chemicals, and dirty money back and forth among the different production and processing sites.

Figure 6 shows total world production of refined cocaine from 1980 to 1995, which rose from 166 metric tons to 933 metric tons over this period—a nearly sixfold increase. On an annualized basis, production has been rising at an average 12.2% per year. Over the last five years, that rate of growth slowed down, largely as a result of the steep drop in production which occurred in 1993.

Over 60% of the total quantity of coca originates in Peru, with smaller shares coming from Bolivia and Colombia. These figures should not be misunderstood to imply a lesser role for Colombia in the overall cocaine trade: They simply indicate that its local production of coca leaves is less than that of Peru and Bolivia, while it plays a larger role in downstream processing.

As is evident from Figure 6, the sharp decline in 1993, of almost 20% of total production, can be attributed totally to Peru—in fact, Colombia and Bolivia's output continued to rise throughout the 1990s. What happened in Peru is of the greatest political significance. First, there was an apparently "natural disaster" which struck the coca plantations, especially in the Upper Huallaga Valley, the heart of the producing region. As a result of overcultivation and monoculture growing patterns, soil depletion began to set in around 1991, as did the deadly *fusiarum oxyporum* fungus.

The second factor is referred to euphemistically by the NNICC as "tumultuous" political conditions in the region, and as "the cumulative impact of counternarcotics efforts of all types in the Huallaga Valley," in the words of the U.S. State Department. What actually happened is that, over the course of 1992, the Fujimori government in Peru launched an all-out war against Shining Path and other narco-terrorists in the country. In April of that year, President Alberto Fujimori summarily shut down the country's Congress and Supreme Court, for complicity with the subversives. And then, in September, his government captured the notorious Abimael Guzmán, the head of Shining Path, and quickly sentenced him to life in prison. From that point on, a series of further devastating blows was delivered to the entire narco-terrorist apparatus across the country.

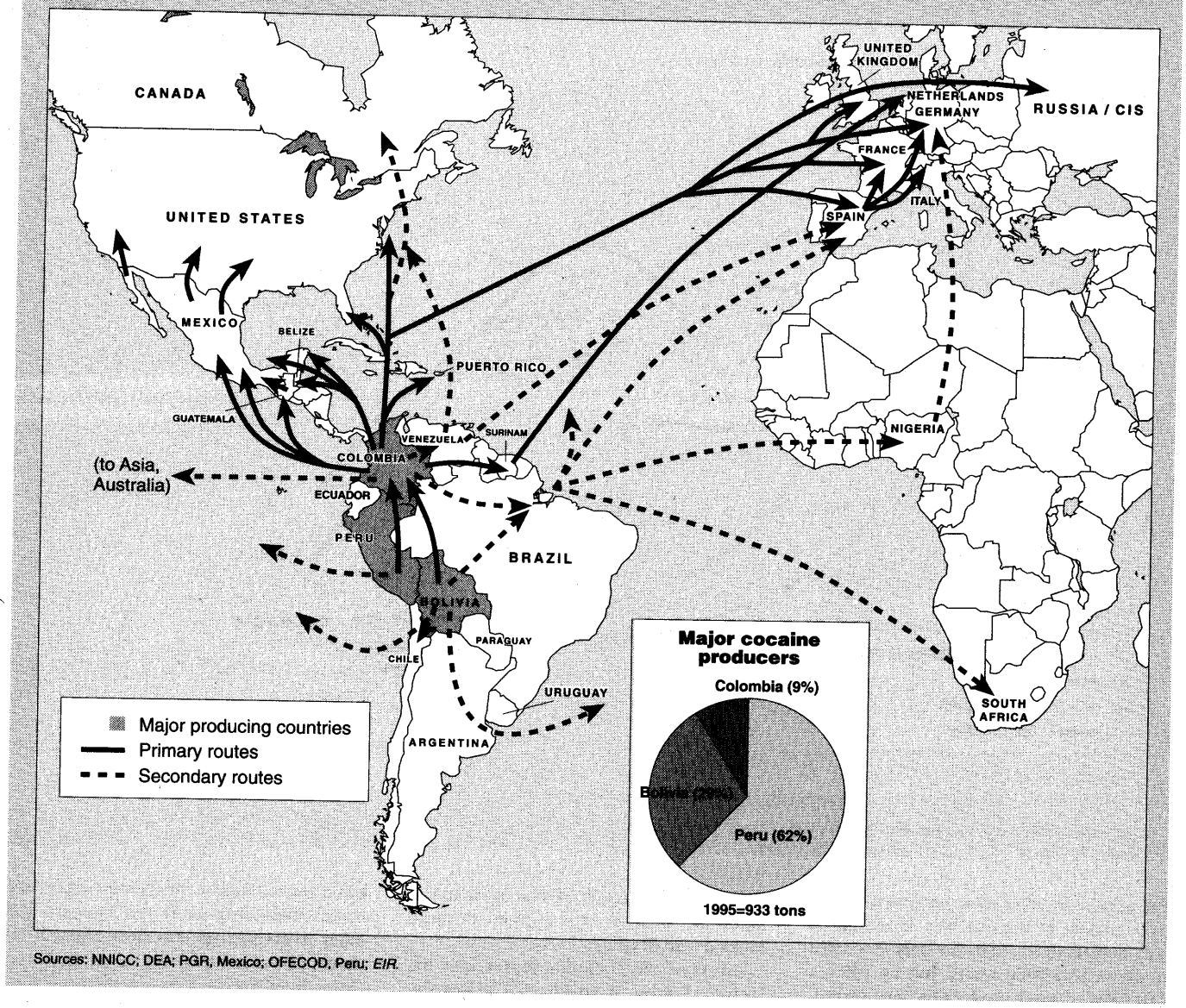
At no point did the Fujimori government explicitly target the drug trade. But Shining Path's main rural base of operation is the coca-producing Upper Huallaga Valley, and the terrorists are so thoroughly integrated with the Dope, Inc. apparatus, that their suppression led to a serious disruption of the drug trade.

Dope, Inc., however, reacted swiftly, and moved to shift significant amounts of coca growing to other river valleys in Peru. By 1994, that diversification had led to an additional half-dozen river valleys joining the Upper Huallaga as major coca growing regions. According to informed Peruvian sources consulted by *EIR*, the 1994 area under cultivation, by valley, was as follows:

Upper Huallaga	28,900 hectares
Aguaytía	21,400 hectares
Apurímac	17,000 hectares
Cuzco	9,900 hectares
Central Huallaga	8,500 hectares
Lower Huallaga	7,500 hectares
Ucayali	2,000 hectares
Others	13,400 hectares

In the Aguaytía and Apruímac valleys, the area planted to coca grew by 20% in 1994 alone, according to informed Peruvian

MAP 3
Cocaine-trafficking routes



Sources: NNICC; DEA; PGR, Mexico; OFECOD, Peru; *EIR*.

sources. But it takes a couple of years for a coca plant to mature and produce viable leaves for cocaine production, so the new production sites could not immediately make up for the drop in output caused by the Upper Huallaga problems.

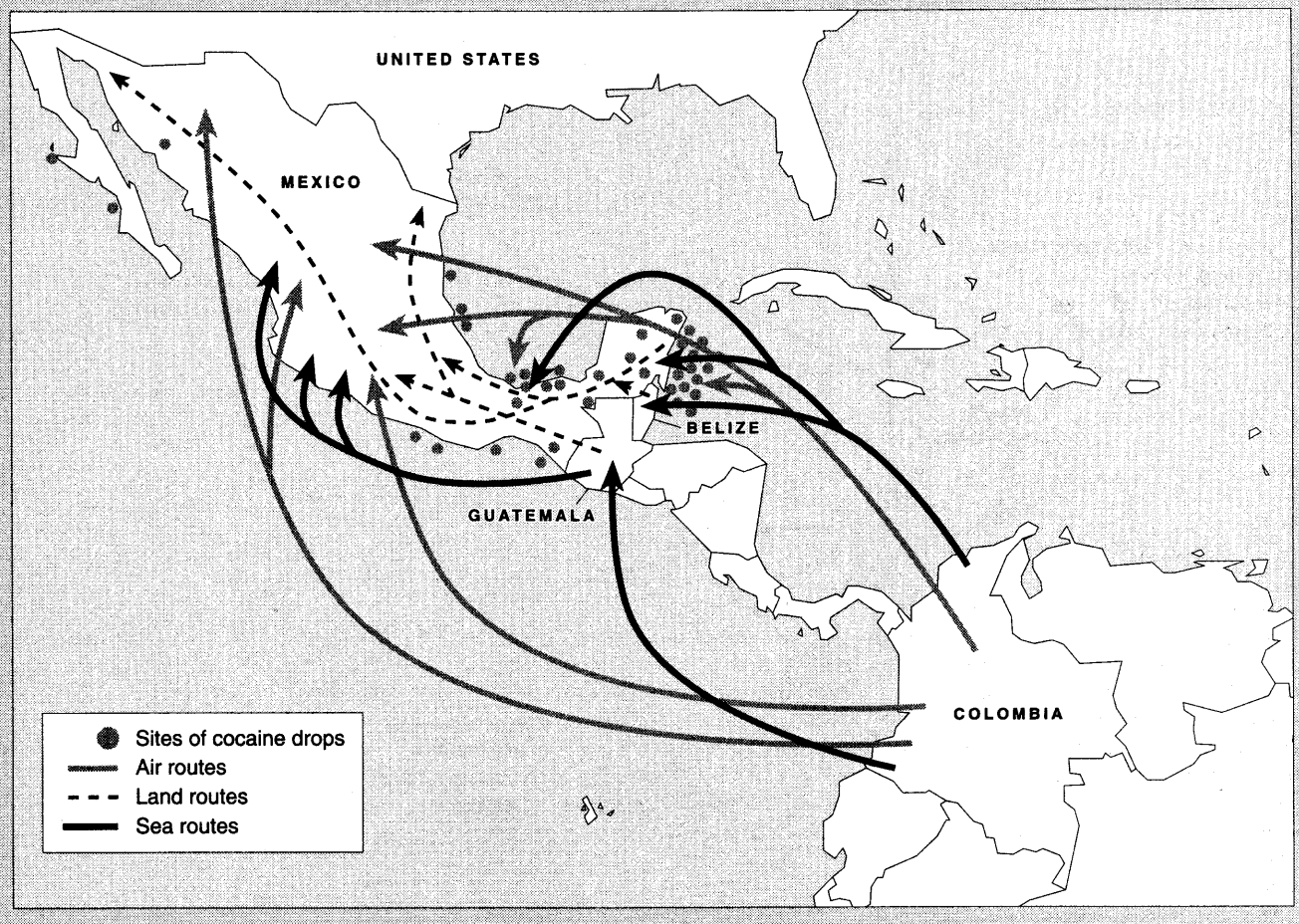
However, as the new areas have come on line, total Peruvian coca production began to rise again in 1994 and 1995, with ominous implications for the future. In fact, Peruvian experts consulted by *EIR* note that the demonstrated ability to diversify quickly to new areas, means that Peru may well become a super-producer of coca *and poppy*. The same experts also report that, in addition to the 130,000 hectares under active coca cultivation in Peru, there are an estimated additional 100-150,000 hectares that are part of Dope, Inc.'s holdings, but which in any given cycle are either fallow (in-between cropping) or under preparation for future planting.

It is therefore probable that the relative stagnation of total cocaine production of the early 1990s, will not continue as a trend. Rather, it appears to be a momentary leveling off in what will actually turn out to be an "S-shaped curve" which has just begun its second ascent stage. Nor can much be expected in the short term from coca eradication in any of the three producer countries: Only trivial amounts are eradicated in Colombia and Bolivia, and none at all in Peru (see article on eradication, p. 53).

Since the price of cocaine in both major consumer markets, the United States and Europe, has been steadily dropping over the last 15 years (as we noted at the outset of this report), the total dollar value of the output did not rise as rapidly as the physical production. As **Figure 7** shows, the total value of production rose from $76 billion in 1980 to $140 billion in 1995, i.e., it "only" doubled, as compared to the sixfold increase in the volume of cocaine output during that time frame.

Dope, Inc., however, did not realize that

MAP 4
The Colombia-Mexico cocaine corridor



Sources: PGR, Mexico; Uniform Statistical System for Drug Control, OAS.

full amount in street sales, because a significant amount of cocaine was seized on its way to market. In 1980, this only amounted to about $3 billion worth, but by 1995, a full 26% of total production was seized, whose sales value would have been an additional $36 billion. So, the value of all potential cocaine sales worldwide—i.e., the total revenue that would accrue to Dope, Inc., if they were to sell their total available cocaine production at street retail prices—came in at $104 billion in 1995. In 1980, the value of all potential sales was $73 billion.

Trafficking routes

Despite the rising share of total cocaine production that is now being shipped to Europe, the United States still consumes about 60% of the world total. Nearly all the refined cocaine entering the United States comes from the Cali Cartel in Colombia, and much of that, perhaps as much as 70%, is transshipped through Mexico (see **Map 3**).

Most of the cocaine crosses into the United States in southern California, Arizona, Texas, and southern Florida, and then proceeds to the four main distribution centers: Los Angeles, Houston, Miami, and New York City. These cities in turn serve as the consolidation centers for the proceeds from the drug sales. Another frequent entry point into the United States is the island of Puerto Rico.

Over the last couple of years, the blows delivered to the Cali Cartel, combined with surveillance and interdiction cooperation between the United States and the Peruvian governments, have disrupted the Peru-Colombia air bridge used by the traffickers to get coca paste to processing laboratories in Colombia, before shipment on to the United States and Europe. The traffickers have increasingly developed alternate routes, including using the Amazon and other rivers to ship into Brazil, and from there, abroad. Similarly, Peruvian and Colombian Pacific Coast ports are being used for maritime shipments to the United States and, to a lesser extent, to Asia. (Cocaine is still not a particularly popular drug in most of Asia, where it is considered too "Western," as compared to the more familiar opium and heroin.)

Most amazingly, there have also been cases of the use of both manned and unmanned *submarines* to ship large quantities of drugs across the Caribbean, to waiting speed boats, known as "go fast boats," just outside U.S. territorial waters.

In both maritime and air shipments directly to the United States, traffickers frequently conceal large quantities of cocaine in legitimate containerized cargo.

Shipments from South America to

Europe also go both by air and by sea—although air cargo predominates. Spain, because of its historical and language ties to Ibero-America, continues to be a major staging ground and transshipment center for drugs sent throughout Europe. Another major route goes directly from Surinam, a former Dutch colony in South America, to the old "mother country," the Netherlands, which is an important drug consumption and distribution haven for all of Europe.

Increasingly, cocaine is also being shipped into Russia and the other countries of the former Soviet Union, as Dope, Inc. rapidly develops these new markets (see p. 46).

Map 4 presents a "close-up" of the Colombia-Mexico cocaine corridor, through which most of the drug passes on its way to the United States. A tightly knit infrastructure of narcotics trafficking now links the two countries, which is also expressed in the form of close working relations between the Colombian and Mexican drug cartels.

Historically, the Colombian mafia used twin-engine general aviation aircraft to transport cocaine from Colombia, up through Central America (often with a stop in Guatemala), and on into Mexico. In recent years, however, they have increasingly turned to jet cargo, passenger aircraft, and even *full-size commercial jets loaded with cocaine,* which are landed on remote clandestine airfields in Mexico, and then simply discarded.

Another relatively recent innovation of Dope, Inc. is the extensive use of air-drops of large, sealed packages of cocaine into the waters surrounding Mexico. Here again, waiting "go fast boats" pick up the cargo and take it ashore, where it is transported by land up to the border with the United States.

Note the two areas of greatest density of such air drops:

- the Gulf of Mexico coast off the Isthmus of Tehuantepec, where most of Mexico's offshore oil platforms are located, and where there is consequently a significant amount of related onshore ground transportation, construction, and so forth; and
- the Caribbean coast off the Yucatán Peninsula and the nation of Belize, a member of the British Commonwealth which plays a crucial role in coordinating both drugs and terrorism in southern Mexico. This cocaine is then transported overland through southern Mexico, in particular through the state of Chiapas where the British-sponsored Zapatista narco-terrorists are active, and northwards to the United States.

A $150 billion chunk of Dope, Inc. production

by Valerie Rush and Joyce Fredman

The number-one drug of preference in the United States is still marijuana, and official government surveys indicate that the major decline in consumption over the previous decade and a half has now been reversed, and that consumption is again on the rise, especially among school-age children. Law enforcement officials are particularly concerned over what they call a "gateway effect," by which this age group is introduced to other, still more deadly drugs. That is, by crossing over into illegality through use of a banned substance, these children become increasingly vulnerable to the physical, psychological, *and* financial addiction of the narcotics netherworld.

What is this so-called "recreational drug," which its pushers would have us legalize, putting it in the same category as alcohol and tobacco? Marijuana is the flowering tops and leaves of the *Cannabis sativa L.* plant, which are gathered, dried, and smoked in a pipe or cigarette, or in combination with tobacco or other drugs. Both the plant, and the psychoactive chemical delta-9-tetrahydrocannabinol (THC) found most densely in its flowering tops, are considered "controlled substances," that is, their consumption is illegal. Two other substances are derived from the cannabis plant, hashish and hashish oil, which contain a higher THC content than marijuana, but which do not have a significant U.S. market.

World production

Although cannabis is grown around the globe, from South America to Asia, from the Middle East to Africa, the United States has become in the past decade the single largest grower of marijuana in the world, contributing an estimated 34% to total world production in 1995 (see below).

The bulk of marijuana consumed in the United States is also produced domestically. As of 1995, *EIR* estimates that at least 50% of all marijuana consumed in the United States was domestically grown, with the rest coming from Mexico, or through Mexico from points further south, primarily Colombia (see **Map 5**). Because marijuana is a relatively bulky product to ship (unlike cocaine and heroin, for example), it is more cost-effective and less risky to either grow it domestically or to transport the drug to the U.S. market from nearby sources.

After the United States, Colombia and Mexico together account for another 45% of total world production. Colombian cultivation, which, by 1990, had been nearly eliminated altogether through eradication by glysophate, began to climb again in 1991-92, when eradication was abandoned, had a dramatic resurgence in 1993, and has been steadily climbing ever since, surpassing even Mexican production in the last year or two.

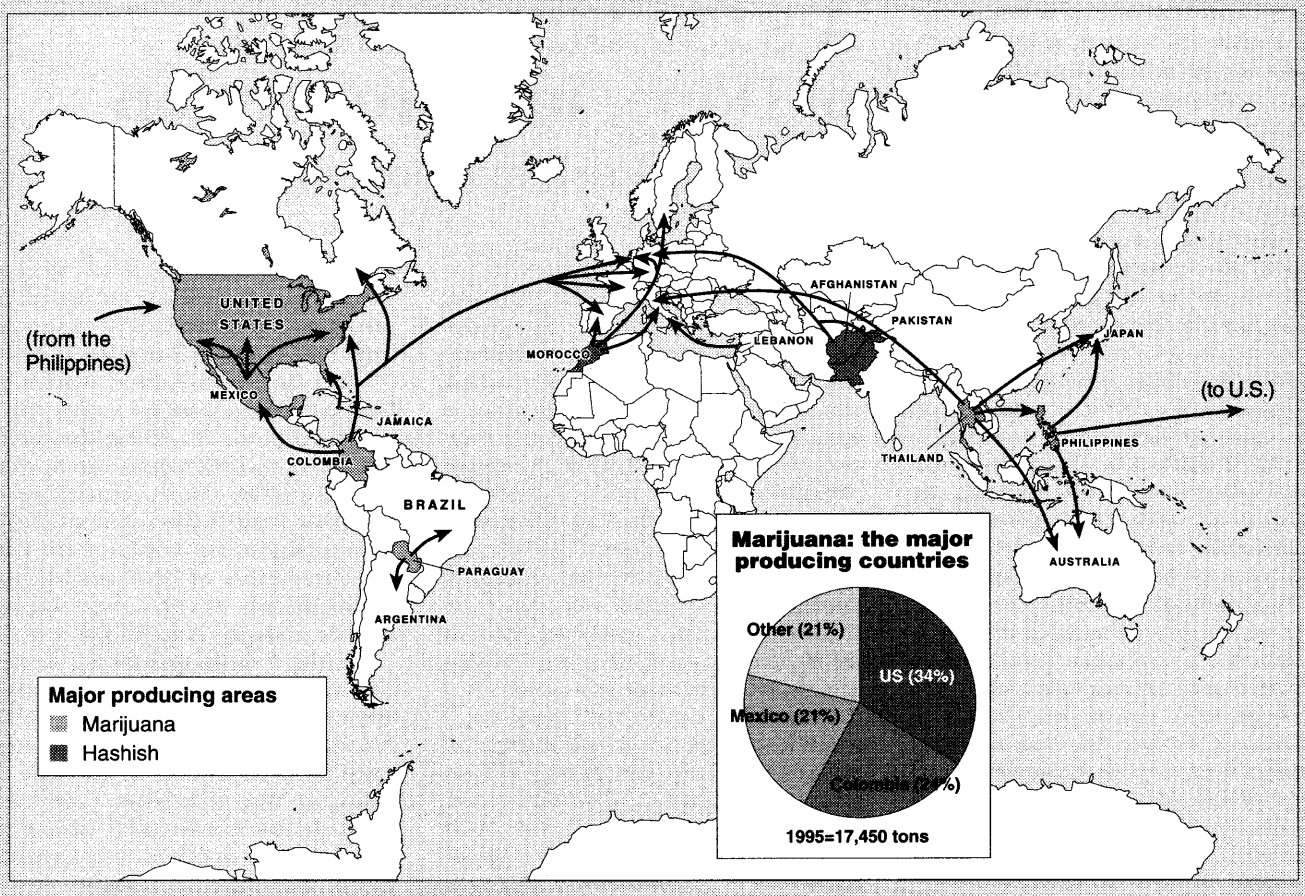
As **Map 6** shows, the bulk of Colombian cultivation is concentrated in the northern Sierra Nevada region, and in the Serranía de Perija in the northeast, a no-man's-land dominated by narco-terrorist bands along the Colombian-Venezuelan border. Current estimates are that at least 5,000 hectares are under marijuana cultivation, with a potential yield of 4,133 metric tons annually.

Because of the consolidation of financial and political power by the cocaine cartels in Colombia during the past decade, marijuana trafficking is no longer an independent affair. Combined shipments of Colombian marijuana and cocaine are now making their way northward to Mexico, by boat and air, through both Pacific and Caribbean routes, and thence across the border into the United States. Although most of Colombia's marijuana heads north to Mexico, the United States, and Canada, multi-ton shipments have also been seized in western Europe in recent years, entering largely through Germany and the Netherlands.

In Mexico, marijuana cultivation is largely concentrated in the western states of Sinaloa, Nayarit, Michoacán, Sonora, Jalisco, Oaxaca, and Durango. Mexico's so-called "golden triangle" of marijuana (and poppy) cultivation extends from Badiraguato in Sinaloa, to Tomazula in Durango, to Guadalupe y Calvo, in Chihuahua (see map). Although the bulk of Mexican marijuana is of commercial grade, the more potent *sinsemilla* has been on the increase here, too, since 1992. It is estimated that Mexico currently has nearly 7,000

MAP 5

Marijuana- and hashish-trafficking routes



Sources: NNICC; INCSR; DEA; NORML; PGR, Mexico; *EIR*.

hectares under cultivation, with a potential annual yield of 3,650 metric tons. Apart from what is domestically consumed, most of Mexican marijuana is smuggled into the United States, largely via overland routes.

As shown in **Figure 8,** combined Ibero-American production (largely Mexico and Colombia) accounts for an estimated 9,700 metric tons, out of a world total of 17,450. The United States accounts for about 6,000 tons, and Southeast Asia another 1,750 tons.

The informed reader may recognize that the total Ibero-American production during 1980-88 is far higher than the official statistics reported by either the Mexican government or the U.S. Drug Enforcement Administration (DEA), both of which report a dramatic *12-fold* leap in the number of hectares of marijuana harvested in Mexico in 1989, purportedly jumping from 4,500 hectares to 53,900 hectares in that one year (see **Figure 9**). The official sources admit that this does not reflect an actual increase of that magnitude in a single year, but only that new technologies were applied to detection and that new methodologies of calculation were introduced. But they have not altered their own earlier discredited figures to reflect these changes.

EIR has done so, on the following basis. What occurred is that systematic aerial surveillance over Mexico was conducted for the first time in 1989, as a result of agreements reached between the Mexican government and the DEA. They discovered that they were sitting on a virtual mountain of marijuana, and significantly revised Mexican production estimates upward. Those overflights yielded new information on the average size of fields under cultivation, as well as a new method for calculating production. So, the dramatic peak in 1988-89 of quantity produced represents these revised production estimates. But the fact is, that Mexican production throughout the previous period was probably closer, and rising, to that level all along, and had just never been adequately detected.

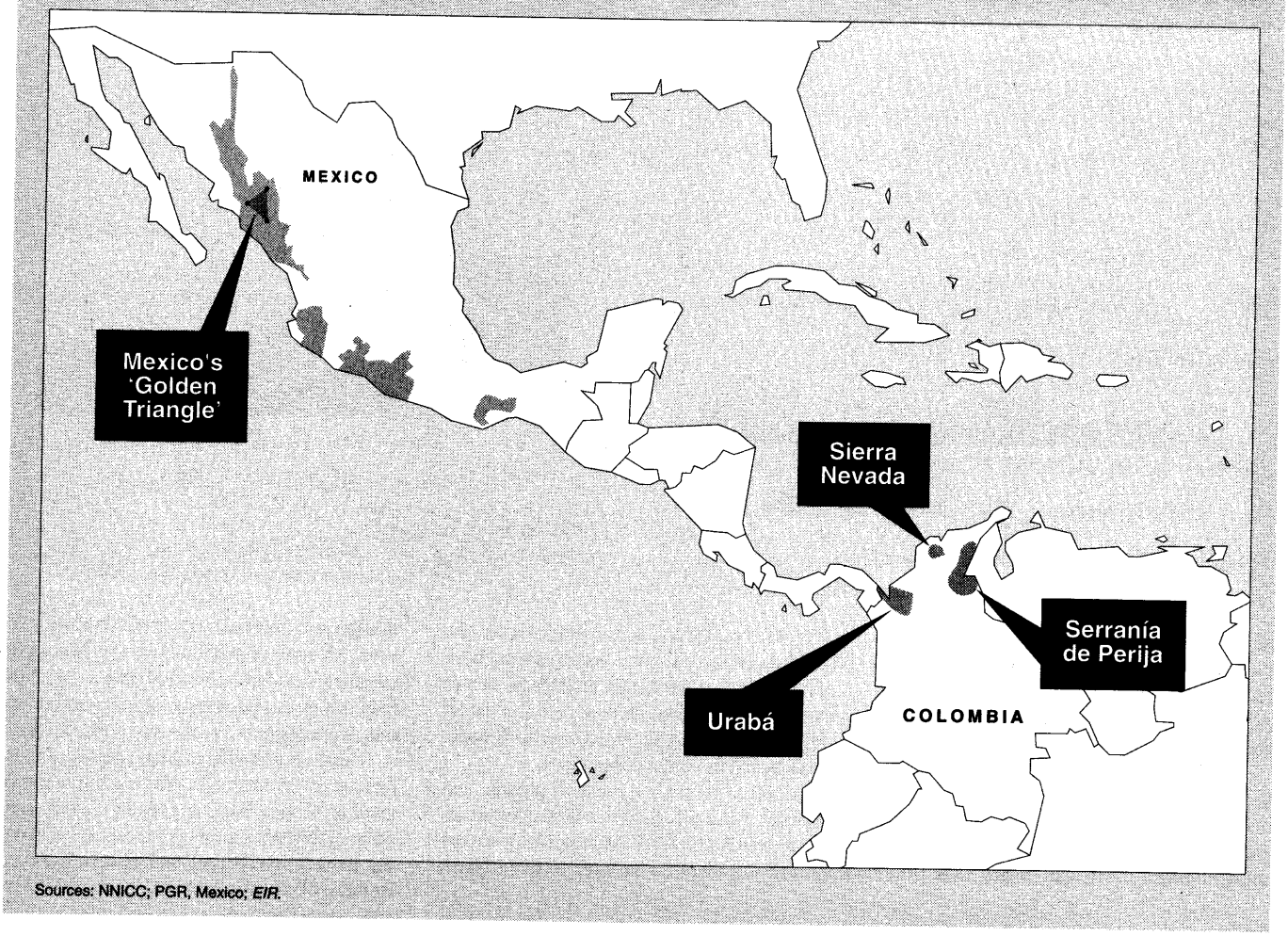
The precipitous drop in Ibero-American marijuana production after 1989 stems from a combination of adverse climate conditions and aggressive eradication, principally in Mexico, in the aftermath of the new findings.

Other producers in Ibero-America include Jamaica (206 metric tons annually), Paraguay (2-2,500 metric tons annually), and Brazil. Most of Jamaica's production goes to the United States via Florida and the East Coast. Although Brazilian production levels are substantial, no offical estimates of hectareage or tonnage currently exist. Brazilian marijuana exports are minimal; the bulk of production is consumed domestically. Paraguayan marijuana is also intended for domestic consumption, or for the market in neighboring Brazil and Argentina.

In Southeast Asia, the major marijuana producers are Thailand and Laos, and Cambodia to a lesser degree. Much of the area's trade appears to be under the control of Thailand-based traffickers, who ship to

MAP 6

Marijuana cultivation in Mexico and Colombia



Sources: NNICC; PGR, Mexico; *EIR*.

Europe via Italy, as well as to Australia, Hongkong, Singapore, and the Philippines. The Philippines is also a major producer and exporter of marijuana, as well as transshipment point. It exports mainly to Japan, Taiwan, and Australia. New reports that the Philippines has risen to become the second- or third-largest marijuana producer in the world have not yet been confirmed.

Nigeria is a grower of low-grade cannabis, often smuggling it into Europe via Dutch ports and, increasingly, into eastern Europe. Nigerian smuggling networks have constituted themselves as major traffickers not only of marijuana, but of heroin and cocaine, as well. A recent raid in Bogotá, the capital city of Colombia, led to the arrests of more than a score of Nigerians and other West Africans, all part of a Nigerian-run smuggling network which was preparing to transport cocaine out of the country in their stomachs. Substantial amounts of marijuana grown in South Africa are largely consumed domestically, while Kenya is both a marijuana grower and exporter, and a transshipment route for hashish from Pakistan.

Figure 10 shows the reductions from total marijuana cultivated worldwide, due to eradication and seizures, leaving a net available amount for sale of nearly 13,000 tons. This is almost a 50% drop from the 25,800 tons available a decade earlier in 1985. The value of the potential sales, however, did not decline similarly, because of the rising price of the drug. Thus, we see in **Figure 11** that the value of potential sales has zoomed from $21 billion in 1980, to $141 billion in 1995 (even after losing $39 billion to seizures), a seven-fold increase.

Hashish

Although the Philippines converts a certain percentage of its cannabis crop to hashish and hashish oil, destined for Australia, Canada, and Europe, the majority of the world's hashish supply comes from North Africa and the Middle East.

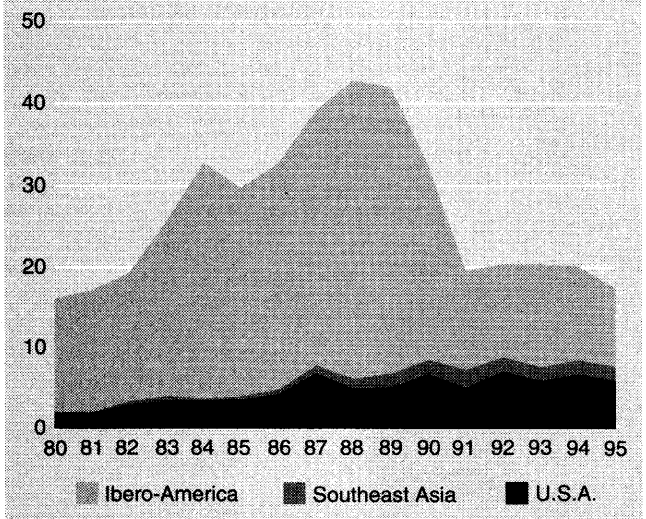
According to the National Narcotics Intelligence Consumers Committee (NNICC), world hashish production in 1993 (the last year reported) was 1,150 metric tons, and *EIR* estimates that the figure for 1995 is equivalent. This amount has a potential sales value of about $22 billion. The main producing countries, in order of importance, are Lebanon, Afghanistan, Pakistan, and Morocco, which service the Mideastern, European, and Canadian markets (hashish has never been popular in the United States). Egypt is one of the countries in the producing regions which is most afflicted with the drug.

Lebanon is the world's primary grower and processor, with cultivation centered in the northern Bekaa Valley, where the Syrian Army has introduced large-scale and sophisticated farming techniques. The area also has been a major producer of opium. Almost

FIGURE 8

Marijuana: quantity produced

thousands of tons

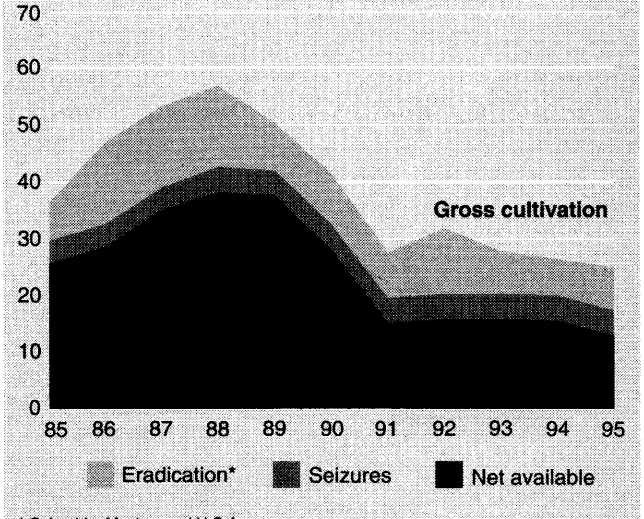


Sources: NNICC; INCSR; DEA; NORML; PGR, Mexico; *EIR*.

FIGURE 10

Marijuana: eradication and seizures

thousands of tons



* Colombia, Mexico, and U.S.A.

Sources: NNICC; INCSR; DEA; NORML; PGR, Mexico; *EIR*.

all of the cannabis grown in Lebanon is converted to hashish. According to a 1994 report of the NNICC, "Most of the cannabis-growing region in Lebanon remained under Syrian Army control."

Although Lebanese hashish production is an ancient practice, it underwent massive expansion following Syria's 1977 invasion and occupation of Lebanon, in the midst of the Lebanese civil war. Since that time, Lebanese hashish and heroin proceeds (in part based on refining Central Asian opium) have accounted for a significant amount of Syria's income. Most Lebanese-produced hashish is shipped through Syria, on its way to Europe, Canada, and the Arabian peninsula.

Morocco is another cannabis grower, and while an estimated 15-40% is used domestically, the rest is converted to hashish for export through the Iberian Peninsula to other North African and European countries. Over the last year, Moroccan producing and trafficking organizations have been hit with a series of huge seizures and arrests, indicating that its role as a supplier of Europe may soon decline.

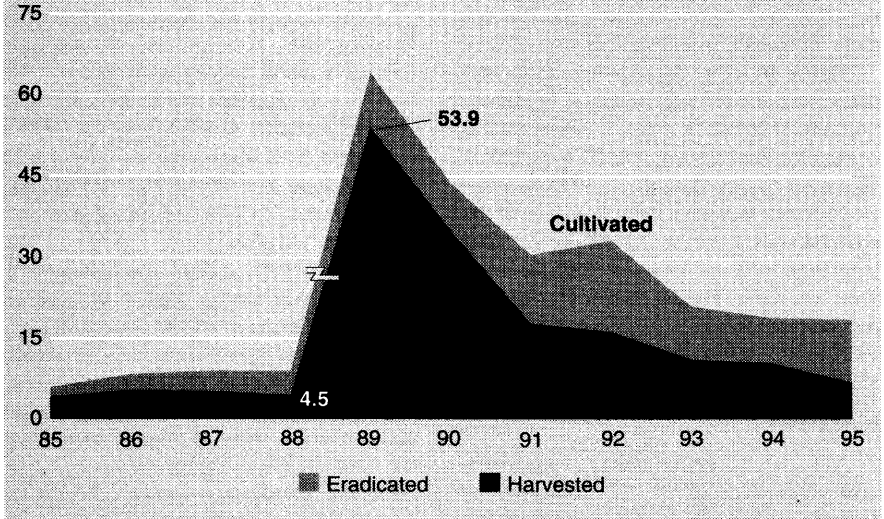
Pakistan and Afghanistan are significant producers of hashish. While a substantial amount of their hashish goes to Canada and western Europe, a growing percentage is making its way into Russia and eastern Europe. Reports of significant marijuana cultivation and export from the states of Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan, and Kazakhstan cannot be confirmed, due to a lack of data from or on these areas.

The Dope, Inc. trafficking network used to transport heroin from the Golden Crescent, also is used to traffic in hashish. As with heroin, the land route proceeds through Iran and Turkey, reaching western Europe via the Balkans.

FIGURE 9

Marijuana in Mexico: the official version

thousands of hectares

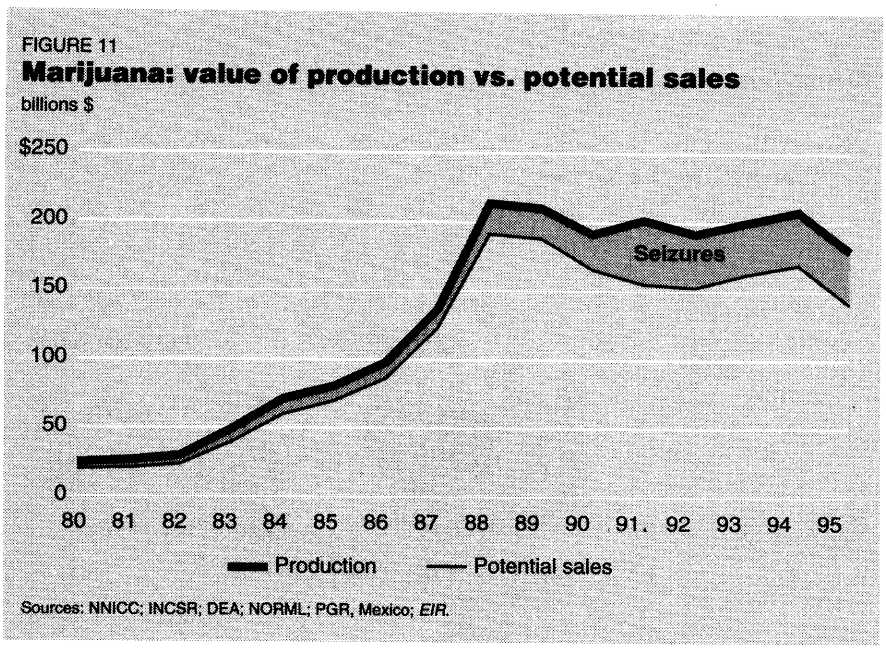


Sources: NNICC; INCSR; PGR, Mexico.

Made in the U.S.A.

The fact that the United States is both the largest consumer and largest producer of a drug that has been proven to be of the utmost danger to its population, is a shocking reality that needs to be understood by the American citizenry. Besides the social and economic consequences, it immediately shatters the myth that all U.S. drugs are imported from drug-producing nations in the Third World, which are "the cause of the whole problem." It shows, instead, that Dope, Inc. is an integrated world cartel

FIGURE 11



which simultaneously controls the production, distribution, consumption, and money-laundering phases of the total drug cycle.

Marijuana is today the largest cash crop of the United States, whose potential street sale value in 1995 was an estimated $77 billion.

Less than one year ago, the National Household Survey on Drug Abuse released their 1994 results, and announced that drug use has increased markedly among the nation's youth, particularly the consumption of marijuana. For example, according to the report (which probably significantly underestimates consumption), in an average month in 1994, some 13 million Americans used illicit drugs. Of these, 10 million used marijuana, making it by far the most commonly used illicit drug. Even worse, between 1992 and 1994, the reported rate of marijuana use among youths 12-17 years old nearly doubled, from about 14% to 22% of the total age-group population.

Other studies report similar findings. In its most recent annual survey (November 1995), the National Parents' Resource Institute for Drug Education reported significant increases in marijuana use by students in grades 6 through 12, and jumps in cocaine and hallucinogen use by students in grades 9 through 12. "As in recent years, marijuana use increased more dramatically than any drug in the study. One-third of high school seniors (33%) smoked marijuana in the past year, and one-fifth (21%) smoked monthly. Since the 1990-91 school year, annual reported use of marijuana in junior high school (grades 6 through 8) has risen 111% (from 4.5% to 9.5%) and has risen 67% in high school (16.9% versus 28.2%)."

And the White House's Office of National Drug Control Policy's latest "Marijuana Situation Assessment" study reports "alarming indicators that marijuana is increasing in popularity, particularly among teenagers." Even worse, "the marijuana is at least 10 times more potent than it was 10 years ago."

The potency of marijuana is determined by its percentage content of THC, the main psychoactive chemical it contains. There are two kinds of marijuana grown in the United States, commercial grade and *sinsemilla* (seedless), of which the latter has substantially higher THC content, and today supplies over one-third of the domestic market, up from about 20-25% in the early 1980s.

The THC content of both kinds has been rising significantly over the years, thanks to genetic manipulation. This partially accounts for the significant increase in the street price of marijuana (**Figure 12**). Although commercial grade marijuana prices have been relatively steady since 1991, the cost of *sinsemilla* has continued to rise from 1980 onwards, and is currently selling in the United States for an average of $550 per ounce.

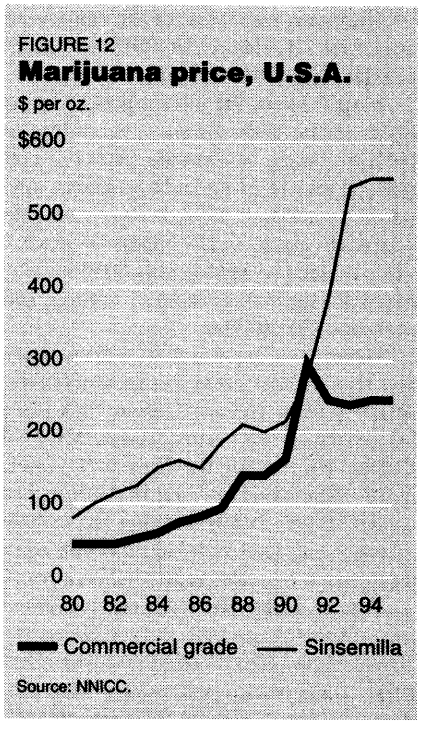
Pot is not only more potent today; average doses are also rising. One study by Monika Guttman pointed out, "Kids today smoke larger amounts than their elders did, thanks to innovations such as 'blunts': short cigars hollowed out and restuffed with pot or a pot and tobacco mix. Marijuana is now often laced with other drugs, as in 'primos' (with cocaine) and 'illies' (with formaldehyde)." The result of such concoctions is that in 1994, some 50% more 12-17-year-olds went to the emergency room for smoking pot than in 1993.

As noted, most of the marijuana consumed in the United States is produced at home. In recent years, U.S. production has undergone a virtual revolution. Although there are no official numbers on production, different estimates can be made based on the figures for marijuana eradication, which are available from the DEA. Not surprisingly, there is a disparity in the approach, depending on the source. The DEA, for example, estimates that what is eradicated accounts for 50% of what is planted. The National Organization for the Reform of Marijuana Laws (NORML) and the Drug Policy Foundation on the other hand, representing the pro-pot lobby, say it is much more likely to be only 15% of the total. *EIR* believes the truth lies somewhere between these two extremes, perhaps at about one-third of the total crop.

Everyone concedes, however, that it is America's number-one cash crop. Even conservative estimates put it undisputedly in first place. For example, take the value of the top six legal crops for 1992, according to the U.S. Department of Agriculture:

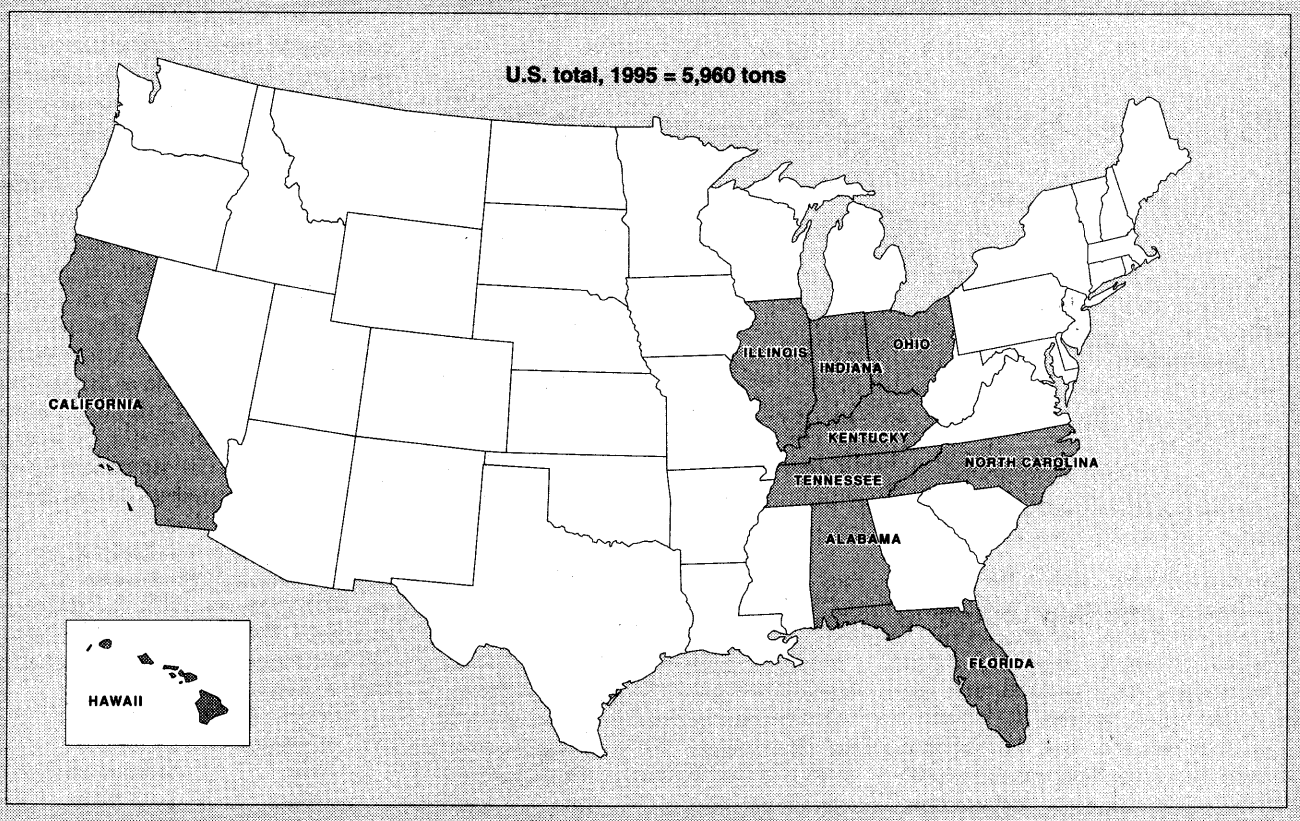
Corn	$17.8 billion
Soybeans	$10.8 billion
Hay	$10.5 billion
Wheat	$ 8.1 billion
Cotton	$ 4.0 billion
Tobacco	$ 3.1 billion

FIGURE 12



MAP 7

The top ten states in U.S. marijuana cultivation



Sources: DEA, NORML, *EIR*.

Marijuana estimates for the same year, range from $20.9 billion (NORML), to $28 billion (DEA), to $76 billion (*EIR*).

Map 7 shows the top ten pot-producing states in the United States, according to NORML. Many of these are states one normally thinks of as agricultural giants. And yet, in Kentucky, in 1992 the marijuana crop was worth about $2.280 billion (NORML), while tobacco brought in only $955 million, hay $375 million, corn $312 million, and soybeans $209 million.

When the Cannabis Cup, a convention and festival for marijuana growers sponsored by *High Times* magazine, took place last November in Amsterdam, Michael Pollan, writing for the *New York Times,* noted: "Marijuana growing in America had evolved from a hobby of aging hippies into a burgeoning high-tech industry with earnings that are estimated at $32 billion a year."

How is it possible that a criminal enterprise of this magnitude thrives across the United States today? A cross-gridding of law enforcement reports and sources from pro-drug interests shows the following picture. The growing business has made a significant shift indoors, not simply to escape detection, but to allow more sophisticated growing techniques. This allows growers to adjust the amount, intensity, and wavelength of the light the plant receives; use computer-controlled irrigation; and adjust the nutrients the roots receive. Ceramic heaters are used to warm the roots, and sodium lamps give them light for extended hours.

Moving indoors has encouraged not only these advanced cultivation strategies, and permitted year-round growing, but has also permitted an overall shift to the cultivation of *sinsemilla* marijuana, the unpollinated female plant. Journalist Pollan explains:

"At the beginning, American growers were familiar with only one kind of marijuana: *Cannabis sativa,* an equatorial strain that can't withstand frost and won't reliably flower north of the 30th parallel. Eager to expand the range of domestic production, growers began searching for a variety that might flourish and flower farther north, and by the second half of the decade, it had been found: *Cannabis indica,* a stout, frost-tolerant species that had been cultivated for centuries in Afghanistan by hashish producers.

"*Cannabis indica* looks quite unlike the familiar marijuana plant: It rarely grows taller than 4 or 5 feet (as compared to 15 feet for some sativas) and its deep bluish-green leaves are rounded, rather than pointed. But the great advantage of *Cannabis indica* was that it allowed growers in all 50 states to cultivate *sinsemilla* for the first time."

Pollan wrote that, at first, the new plants were grown as purebreds. "But enterprising growers soon discovered that by crossing the new variety with *Cannabis sativa,* it was possible to produce hybrids that combined the most desirable traits of both plants while playing down their worst. The smoother taste and what I often heard described as the 'clear, bell-like high' of a *sativa,* for example, could be combined with the hardiness, small stature and higher potency of an *indica.* In a flurry of breeding work performed around 1980, most of it by amateurs working on the West Coast, the modern American marijuana plant—*Cannabis sativa x indica*—was born."

Britain's Opium Wars: two centuries, and going strong

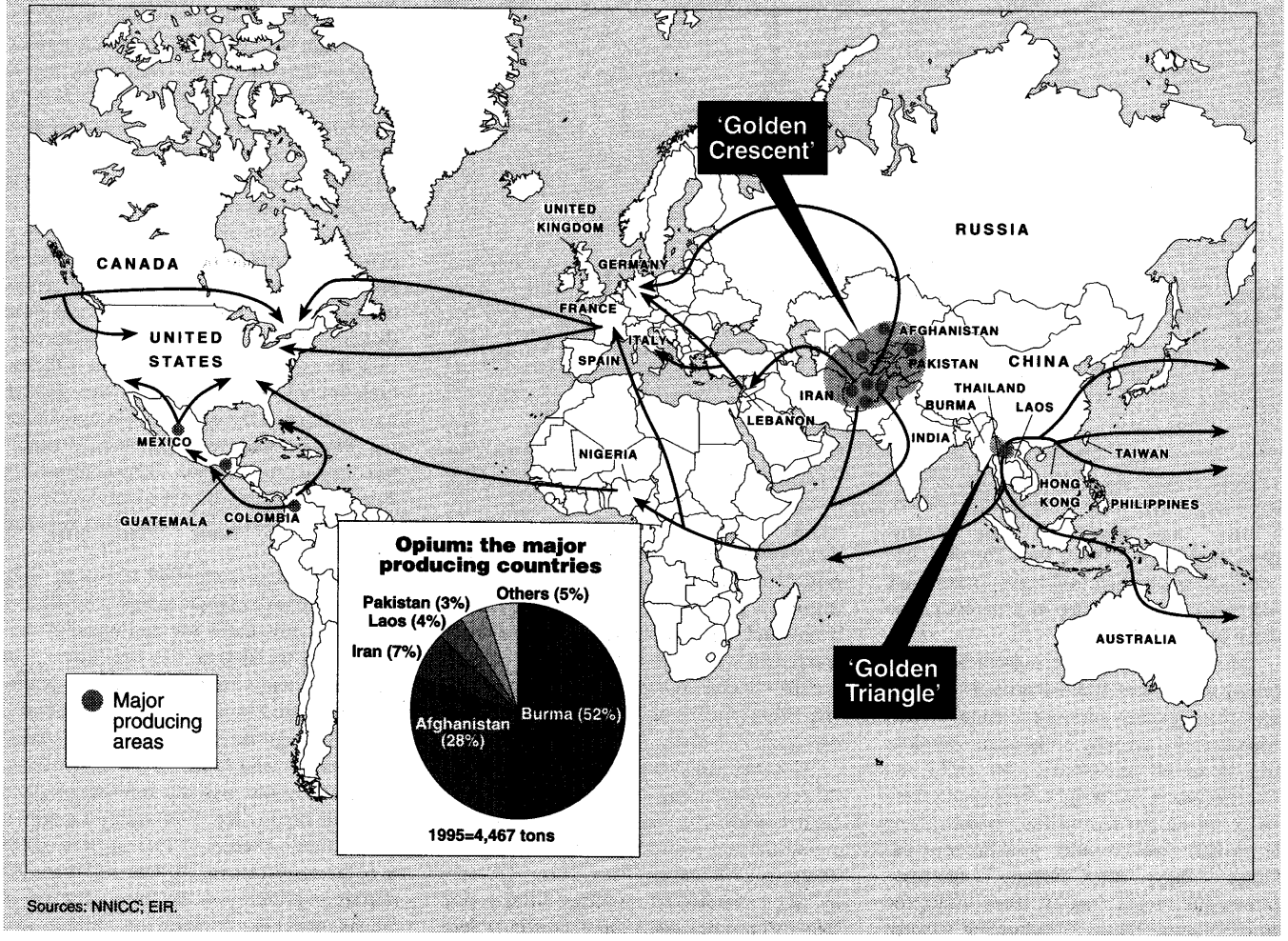
by Joseph Brewda

Dope, Inc. came into being as global opium vendor in the nineteenth century. Prior to that time, narcotic use was widespread, but there was no single global organization guiding its distribution internationally. The banking, planning, marketing, and smuggling network that came into being then, in order to destroy China, provided the basis for Dope, Inc.'s expansion in the twentieth century. Because of this global infrastructure, Dope, Inc. not only controls world narcotics trafficking, but weapons trafficking, currency smuggling, money laundering, and related criminal enterprises.

The use of opium to destroy China in the nineteenth century, is the model that Britain is following in its war against the institution of the nation-state today. Dope, Inc. is not merely a commercial enterprise, but comprises the very center of British imperial strategy of re-creating its old empire in a new form. To do that, the British empire must destroy powerful institutions and entire societies throughout the world. Opium and heroin are among the poisons used to that end.

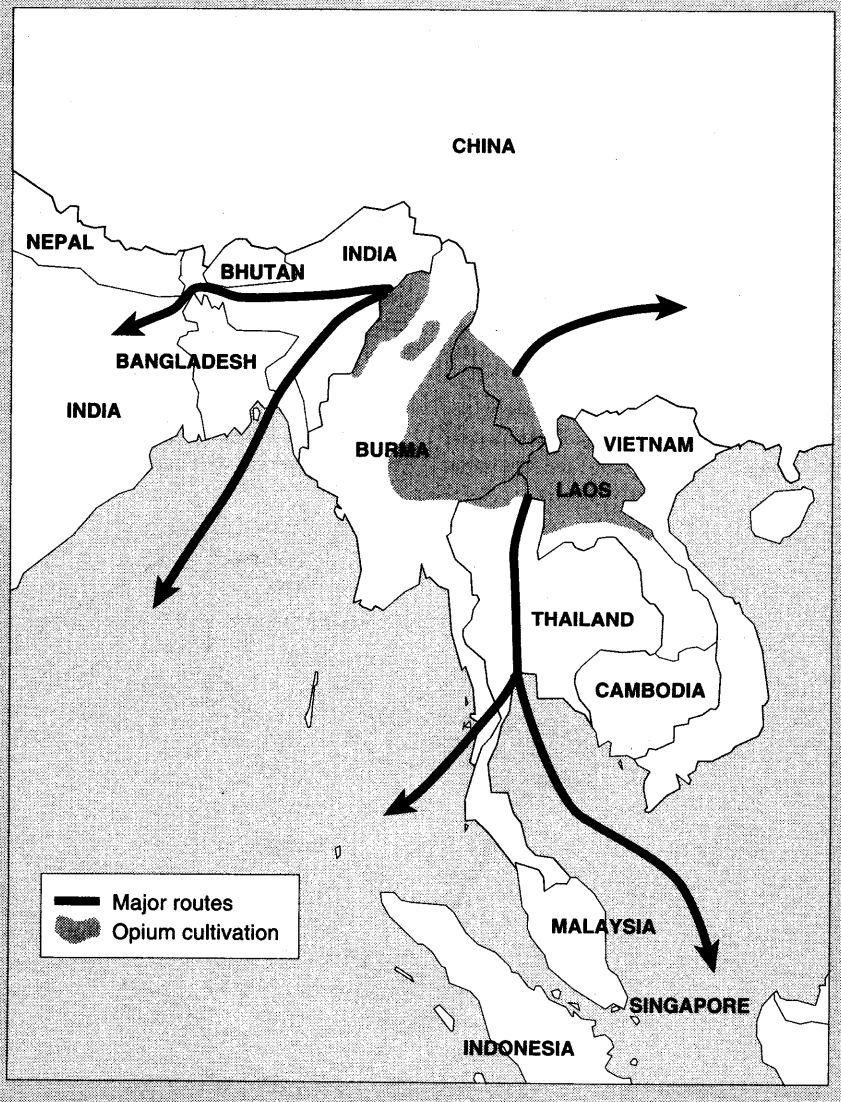
Opium is a narcotic drug prepared from the juice of the unripened seed pod of the opium poppy, a flowering plant indigenous to southern Europe and western Asia, but now cultivated throughout the world. It is usually consumed through smoking or eating. Morphine and heroin are extracted and refined from its juice, and are consumed either by smoking, or through hypodermic injection. The use of opium as a powerful painkiller was known in the ancient world, and is referenced in Greek medical texts as

MAP 8
Heroin-trafficking routes



Sources: NNICC; EIR.

Map 9
Opium and heroin trafficking from the Golden Triangle



Sources: NNICC, DEA, *EIR*.

early as the first century B.C. The drug had valid use when other, safer anesthetics were unknown. But its abuse as a narcotic also dates back to that time.

Morphine, the active ingredient in the poppy juice, was first identified in 1805, and the German pharmaceutical house Merck and Company soon began producing it as an anesthetic. In 1874, an Englishman, C.R. Wright, first synthesized its more potent form, diacetylmorphine (heroin). The German pharmaceutical house of Bayer and Company began mass production of the drug in 1896, under the patented trade name of "heroin." It said the new wonder drug was a powerful non-addictive cure for various adult and infant ailments. It spread throughout the United States and western Europe as a patent-medicine, and was touted as a general cure-all for the old and young alike, capable of curing everything from the common cold to aging.

Cocaine was also developed and promoted as a wonder drug by the same phamaceutical houses. But unlike opium and morphine, heroin and cocaine never had any legitimate medical use.

The extraction of morphine from poppy juice is uncomplicated. But the manufacture of heroin requires training and equipment, and a considerable amount of the chemical acetic anhydride—making Southeast Asia the world's largest consumer of an industrial chemical whose only legitimate use is in photography.

The first Opium Wars

The use of opium as a means of social control is as old as its use as a pain killer. In the ancient Near East, pagan cults regularly intoxicated their devotees with opium, hashish, and various powerful psychedelics, to ensure that they remained under total control. Pagan priests also used opium and other drugs to enfeeble, corrupt, and control the ruling aristocratic families.

However, the use of opium to destroy entire societies on a mass scale, was first introduced by the British in the nineteenth century. British use of opium against China then, remains the model for what it is doing with narcotics worldwide, today.

In 1842-44, and then in 1856-60, Britain fought two Opium Wars to force the Chinese government to lift its ban on the sale and use of opium within its territory. The second war was fought because the British were not satisfied by the concessions won by the first. In the interim, Britain organized the Taiping rebellion in southern China to force the government to accept the trade, which killed 20-30 million people directly, and an estimated 70 million indirectly.

As a result of its defeat in these wars, a prostrate China capitulated to British demands, and signed a series of peace treaties which made opium legal, and gave Britain the exclusive monopoly on its sale. Despite continuing efforts by the Chinese government to discourage its use, British traders flooded the country with the poison. By 1850, Britain was exporting 3,210 metric tons of opium to China, then produced in British India, capable of feeding the habit of millions of users. By 1880, this reached 5,880 tons.

Britain also compelled China to open up its interior to opium poppy cultivation. This was not done for commercial reasons, but to further the breakdown of Chinese society. By 1900, opium poppy was cultivated in every Chinese province, in some regions diverting vast peasant populations and lands to its cultivation. Terrible famine was the foreseeable, and desired, result. By 1900, China's addict population had risen to 13.5 million out of a total population of 400 million. Its domestic production for internal use was 22,600 tons. By comparison, opium pro-

duction in the entire Southeast Asia's Golden Triangle in 1995, was "only" 2,560 tons—about one-tenth of what China was consuming in 1900.

Through this decades-long subversive campaign, China was made a de facto British colony.

Massive opium cultivation in British India to supply the Chinese market, also served British interests there as well. There, too, society was ravaged by famine, and there were related effects of massive poppy cultivation, including local use of the drug. In the 1860s, Britain greatly expanded small-scale opium cultivation in the Iranian and Ottoman Turkish empires, to meet the needs of its Chinese market. This opium was also exported to western Europe, to service Britain's growing market there, as well as feed its own developing addict population.

The explosive growth of opium use in the nineteenth century, led to increasing efforts to ban the drug, particularly as it spread into Europe and the United States. In 1909, the British Empire reluctantly agreed to U.S. pressure to outlaw opium cultivation and sale. Then, as now, narcotics revenues comprised a major part of the profits of its banking system. But despite this legal ban, Britain continued the export of opiates.

As late as 1927, opium was the largest source of official Crown revenue in all of Britain's Asian colonies; it was then primarily sold to her own colonial subjects to keep them subdued. Of the official Straights settlements (Singapore) revenue that year, 37% came from opium trade. At its high point, 60% of Malaya's revenues came from taxes on the opium monopoly.

And under the British claim that morphine is still legitimately needed as a painkiller, opium poppy cultivation still is legal in many British Commonwealth countries, such as Australia and India, and is produced there under government license. Opium is the only important narcotic which remains legal under this guise.

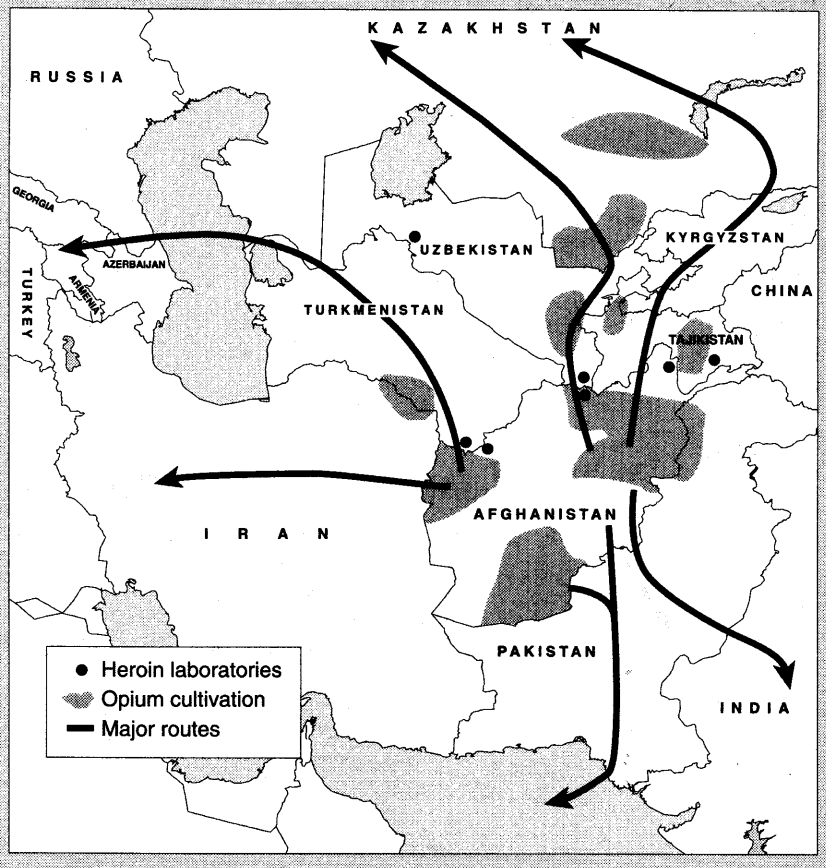
Britain's current opium war

A review of the sites of opium poppy cultivation and heroin manufacture, trafficking routes, and the populations targetted for addiction, corroborates other evidence showing that Britain is currently engaged in another opium war, this time against the entire world.

Map 8 shows the world's three opium poppy production regions, and the main trafficking routes bringing this opium, in the form of heroin, to the external market.

MAP 10

Opium and heroin trafficking from the 'Golden Crescent'



Sources: INCSR; UN International Narcotics Control Board; *EIR*.

These three producing regions are the Golden Triangle region of Southeast Asia, which produces 57% of total world opium output, and 51% of its refined heroin; the Golden Crescent region of Southwest Asia, which produces 40% of world opium and 46% of world heroin; and Ibero-America, which produces about 3% of world opium and a like share of world heroin. The Golden Triangle and Golden Crescent are entirely a creation of the British Empire.

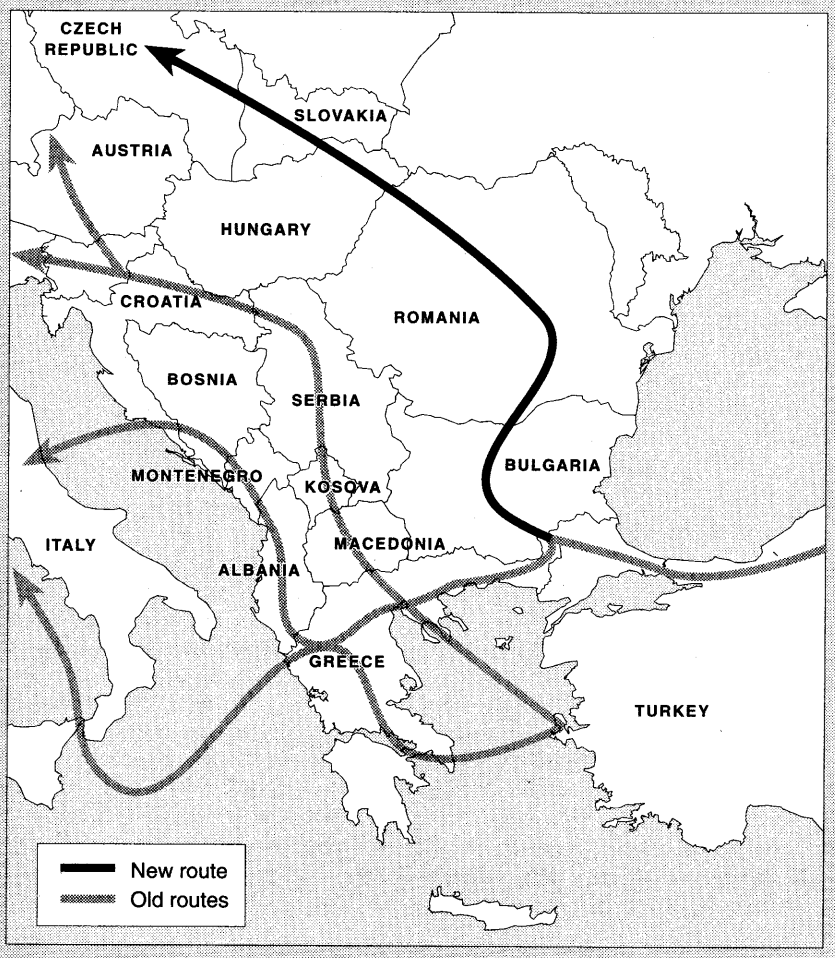
As the map indicates, the broad band stretching from the Balkans in southern Europe, into Central Asia via Turkey and Iran, and on to Southeast Asia via northern India, is the world's primary production and transshipment zone for the drug. There is not one country in that area, which the British sometimes term the "Arc of Crisis," which is not deeply involved in heroin production or trafficking.

This is not an accidental feature that can be explained by either suitable climate conditions, or an ancient tradition of cultivation of the plant, but is a deliberate result of British imperial policy, which systematically introduced opium production throughout the entire area. By placing opium production there, Britain has situated itself to launch broad destabilizations of Asia, and to break up any efforts to develop the interior of the Asian landmass. It is now particularly targetting China and Russia, and opium is one of the means through which it is doing it.

Map 9 shows the Golden Triangle region, the world's largest opium plantation, and the source of about three-quarters of the heroin found on the streets of the United States. The major producing area is Burma, with smaller amounts produced in Laos, and across the border in China and Thailand. Most of this opium is refined into heroin. Thailand is the primary refiner of the drug and the main transshipment point for heroin sent to Europe and the United States. China is another important route to western markets.

MAP 11

Heroin trafficking: the Balkan routes



Sources: NNICC; *EIR*.

This entire production region is in a rugged cross-border area, inhabited by minority backward tribes, which have never been fully controlled by their respective governments. Northern Burma has been in revolt against its central government, since independence. The Shan, Wa, and other minority tribes, which produce almost all of Burma's opium, were patronized by the British during the colonial period, and sustained by them in their revolt since that time. The same minority peoples live on the other side of the porous border, in China. (The area depicted as under cultivation in China is approximate, due to lack of reliable data.)

Contrary to claims one often finds in the western media, opium is not indigenous to the region, but was introduced there at the end of the nineteenth century by the British and French empires, to supply their Chinese market. Both powers continued cultivation there in the twentieth century, in part to fund their intelligence operations, which remain dependent on narco-proceeds. During the Vietnam War, Britain and Maoist China dramatically expanded cultivation in the region, to supply, and demoralize, nearby American troops.

More recently, China itself has become a primary target of the dope trade, as in the nineteenth century. Heroin and opium use there has skyrocketed, particularly along southern transport routes to the Chinese coast.

Map 10 shows the Golden Crescent region, the source of about two-thirds of the heroin found on the streets of western Europe. Most of the poppy is cultivated in Afghanistan, and refined and transported through Pakistan to the coast, for shipment to Europe. As in the case of Southeast Asia, narcotics cultivation is done by minority tribes, in border regions, which largely operate outside the control of any of the governments concerned. An increasing, unknown, but large amount of poppy is also cultivated in former Soviet Central Asia, which is also being used as a route for Afghan opium destined for the West. Iran is also a producer, especially since the rise of the ayatollahs, and is on the main land route to the European market.

Commercial-scale Southwest Asian production began in the nineteenth century, to supply opium for the Chinese market. In the aftermath of World War II, the Anglo-American-reorganized Italian Mafia used the region to supply opium for the European and U.S. heroin markets.

As recently as 1979, there was almost no heroin refining in the region. Except for Iran, there were *no* heroin addicts anywhere in the area, including nearby India. The opium produced there was almost entirely refined in Turkey and Lebanon, and destined for Western markets.

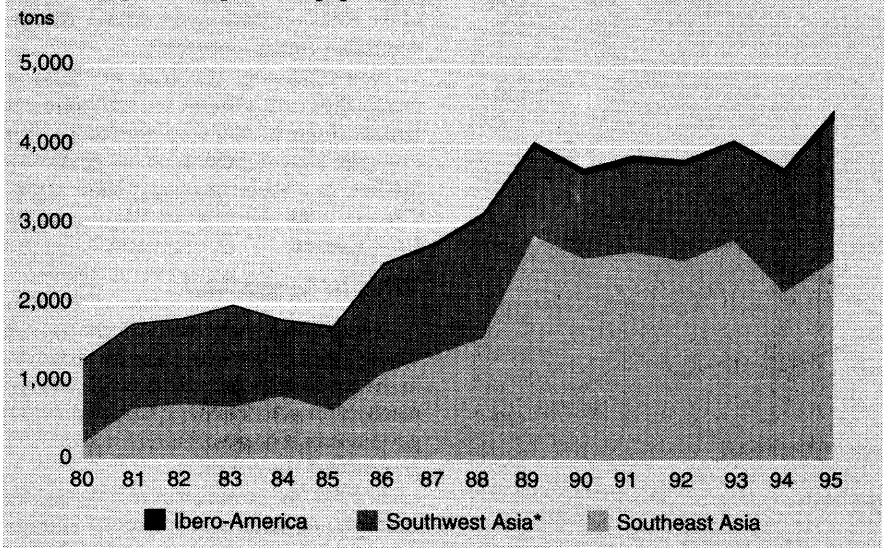
But the overthrow of the Shah of Iran that year, and the Soviet invasion of Afghanistan, soon transformed the region into the world's major opium plantation and heroin refinery. Afghan mujahideen, trained and equipped by Western secret services to fight a war against Soviet troops, were also instructed to grow opium to finance their needs. Afghanistan produced very little opium before the war. It is now the world's second largest producer.

The collapse of the Soviet Union has drastically worsened this problem. Opium cultivation is now spreading rapidly throughout former Soviet Central Asia, to provide revenue for desperately poor, newly independent states, who are encouraged by international agencies to produce the drug. Clan wars fought over the control of opium production and trade in Central Asia and in the Caucasus, are convulsing the entire region.

Behind these developments stands Dope, Inc., which oversaw the expansion of the Golden Triangle during the Vietnam War, and the creation of the Golden Crescent during the Afghan War. Now, the former Soviet Union is targetted for the same treatment.

War is not unfavorable to the cultivation, refinement, and trafficking of narcotics, by any means. **Map 11** shows the "Balkan routes," through which most of the heroin destined for western Europe passes. Heroin and hashish trafficking played an important part in the pre-war

FIGURE 13
Illicit opium: quantity produced



* Including India.

Sources: NNICC; INCSR; ANF, Pakistan; NALA; *EIR*.

economy of Yugoslavia, providing an important source of income for the Serbian-dominated military. The trade continues there, in fact aided by the war, providing income for Serbian fascist militias, as well as militias and criminal gangs outside the control of the Croatian and Bosnian governments. And, as in the case of Afghanistan, international agencies have descended on the region, encouraging all sides to cultivate narcotics in order to buy arms. A new route, via Romania and Hungary, supplementing the old Balkan route, has also been added.

Although Ibero-American cultivation of opium is small by comparison with Southwest and Southeast Asia, it takes on relatively greater significance because it is converted, in its entirety, into heroin for export to the United States. Mexico has historically been the principal producer in the region, but Colombia has become a major factor in just the last 3-4 years, and now produces more than Mexico. This is a cause for great concern in law enforcement circles, because the Colombian cocaine cartels are logistically, politically, and militarily well equipped to handle a huge increase of heroin trafficking.

What the numbers show

EIR's review of statistics compiled by several governments and other agencies, show that the British Empire remains the world's major opium and heroin producer, and that it is using the drug to systematically destroy targetted states. **Figure 13** shows that illicit opium production has been steadily rising over recent years, from 1,291 metric tons in 1980, to 4,467 metric tons in 1995. (Poor crop years reported for Burma in the earlier period skew the comparative production of Southwest and Southeast Asia.) That is a growth of 346%, or 8.6% per annum.

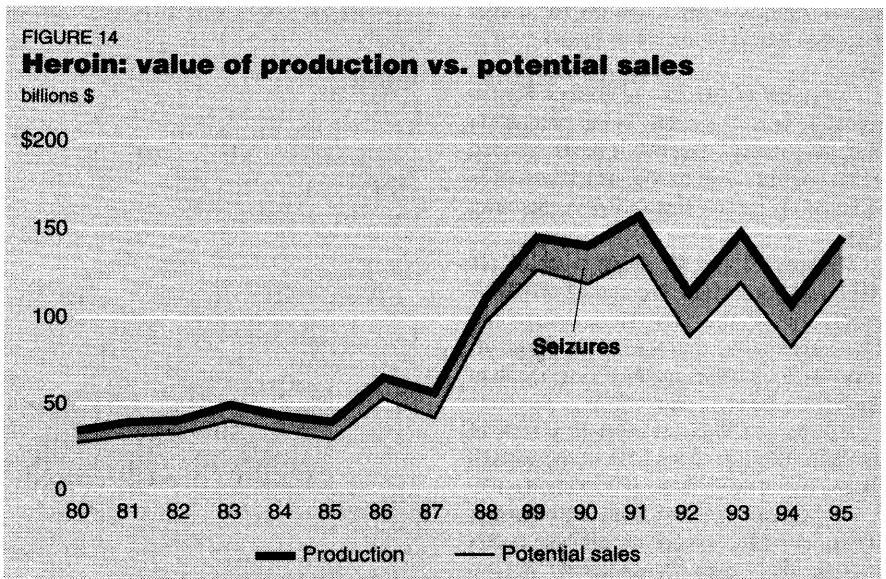
Not all of the opium produced in the world is converted into heroin. In 1980, about 40% of the total crop was refined into heroin, but that proportion has been steadily increasing over time, as the far more dangerous heroin has increasingly become the drug of choice of former opium addicts in the producing regions. By 1995, a full 75% of the crop was converted to heroin, both for local consumption and export.

Dope, Inc.'s total revenue from potential sales of heroin increased nearly fivefold in 1980-89, rising from $27.5 billion to $127.4 billion (see **Figure 14**), and has fluctuated around that high-point since. Of this revenue, over 90% comes from the lucrative western European and U.S. markets, despite the fact that the majority of the heroin, by quantity, is consumed in the producing regions themselves, but at far lower prices than in Europe or the United States (see below). Relatively little of world heroin supplies is seized, unlike cocaine and marijuana. The eradication of the poppy plant by government authorities is virtually nonexistent.

Dope, Inc. has the same marketing strategy for heroin that it has for cocaine: slash prices to increase sales, and total profits. Dope, Inc. cut the price of heroin in the U.S. and western European market over 1980-95, by about one-half and two-thirds, respectively (see **Figure 15**). This bargain-basement strategy paid off. The total quantity produced for sale increased almost sevenfold in the same period, from 49 tons in 1980, to 331 tons in 1995.

But illicit opium and heroin is only part

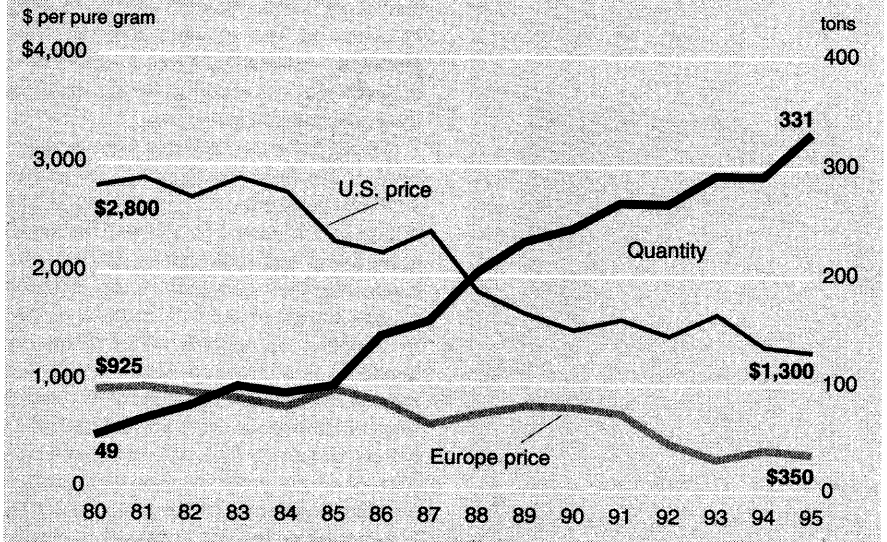
FIGURE 14
Heroin: value of production vs. potential sales



Sources: NNICC; INCSR; UN; Abt Associates; ANF, Pakistan; NALA; *EIR*.

FIGURE 15

Heroin price vs. quantity produced, United States and Europe



Sources: NNICC; INCSR; UN; Abt Associates; ANF, Pakistan; NALA; *EIR*.

of the story. There is also *licit* opium production, supervised by pharmaceutical houses, for manufacture of morphine as a prescribed painkiller. As **Figure 16** shows, licit production has remained steady from 1980 to 1995. Although shrinking as a proportion of total opium production, licit output remains vast. Diversion of licit stocks to illegal use is a major problem. According to Indian government estimates, 10-30% of its yearly licit production of 740 tons of opium, is siphoned off for illegal use—equivalent to the entire illegal crop in Laos.

A review of the role of former British colonies, or their satraps, in the production of opium, shows a fact that is never reported in the establishment media, which continues to cover up for the British role in the drug trade.

Figures 17 and **18,** along with the pie chart on Map 8, show that current or former members of the British Empire and Commonwealth, together with countries under its domination, produce virtually all of the world's licit and illicit opium.

Burma and Pakistan, former jewels of the British Raj, produce 55% of the world's illegal opium (with India producing another 3%). Afghanistan and Iran, both former British imperial dependents, produce another 35%. The former French colony of Laos produces 4% of the total. Only 3% of the world's illegal opium production takes place in countries that were not under British rule. And, in all these cases, opium cultivation was introduced by Britain to supply its Chinese market.

With the partial exception of Burma, all these countries remain British dominated to this day.

The case of licit production tells the same story, as Figure 17 indicates. The Crown colony of Australia is the world's largest producer of licit opium. India, the former jewel of the British Empire, ranks second. British-dominated Turkey ranks third.

Non-producing countries involved in trafficking are almost entirely former British, French, and Dutch colonies. For example, Nigeria, now high on the British hit-list, is a major transshipment point. Canada is on the primary route into the United States.

Who is targetted

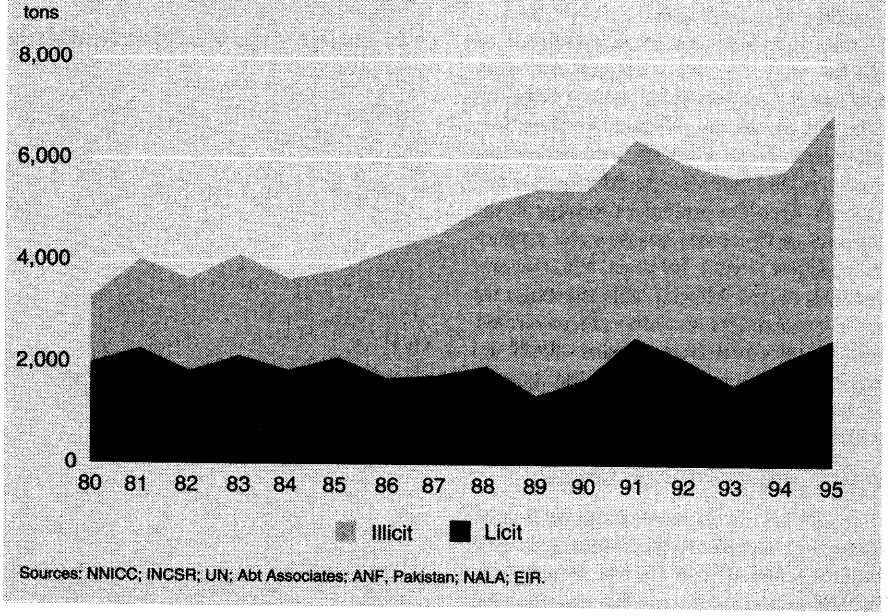
It may shock the reader to learn that the vast majority of heroin users in the world are in the producer regions themselves, and the numbers (as conservatively estimated by the governments concerned, the UN, and the U.S. government) are staggering.

In 1996, the government of Pakistan, for example, reported that it had 1.5 million heroin addicts and an equal number of opium addicts, constituting over 2% of its 125 million population—the highest addiction rate in the world. Before the Anglo-Americans created the Afghan mujahideen in 1979, there was no heroin addiction in Pakistan at all. By comparison, the United States, with a population of 255 million, has 816,000 heroin users.

Similarly, Thailand, which refines most of the opium produced in Southeast Asia, has 340,000 heroin addicts—largely as a by-product of the entertainment it provided to

FIGURE 16

Opium: licit vs. illicit production



Sources: NNICC; INCSR; UN; Abt Associates; ANF, Pakistan; NALA; EIR.

U.S. troops during the Vietnam War. India has an estimated 1 million heroin addicts, and another 4.5 million opium addicts. There was also no significant heroin addiction in India before the Afghan War. Thus, out of perhaps 5 million heroin users worldwide, less than a million are in the United States, and perhaps an equivalent number in Europe.

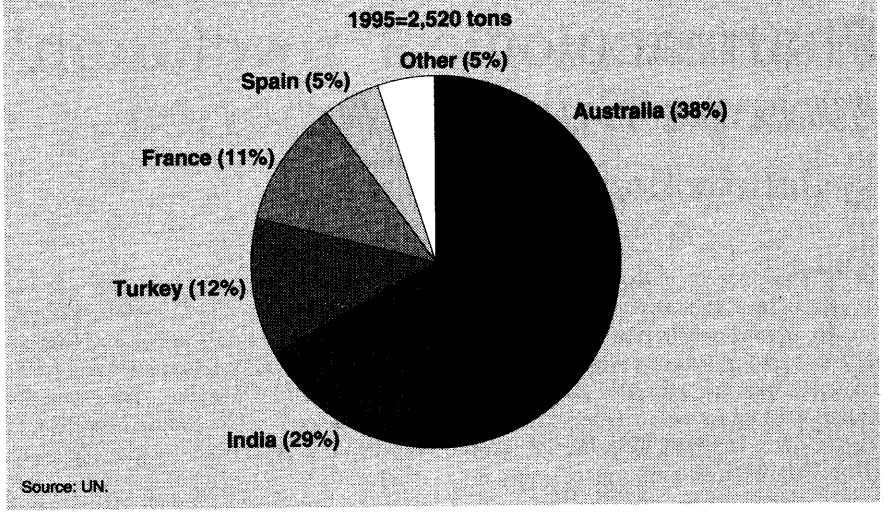
This is reflected in the consumption figures as such. Out of the 331 metric tons of heroin produced worldwide in 1995, an estimated 83 tons were exported to the United States, 51 tons were exported to western Europe, and 197 tons remained in the producing regions of Southwest and Southeast Asia to feed their own addicts, who usually consume lower grade No. 3 heroin, mainly for smoking, as distinct from the No. 4 heroin for export, which is usually injected.

In other words, 60% of the world's total heroin production in 1995 was consumed in the Southeast and Southwest Asia producing regions themselves. (Relatively little heroin is consumed in Ibero-America.) This was not a one-year anomaly. In fact, over the entire decade from 1985 to 1995, about 70% of all world heroin was consumed in the producing regions. While the revenue Dope, Inc. earns through this use is comparatively small ($7 billion in 1995) because of the vast difference in price, the devasting effects on the societies concerned are enormous.

Table 1 shows the disposition of world heroin production in 1995, from its source in Southeast Asia, Southwest Asia, and Ibero-America. Of the 168 tons of heroin produced in Southeast Asia, an estimated 86 tons were consumed regionally, and the rest was exported to the United States and Europe. Of the 151 tons produced in Southwest Asia, about 111 were consumed in the region. In the case of Ibero-America, virtually all the 12 tons produced were exported—to the United States. Of the total 83 tons of heroin exported to the United States from different sources, about 17 tons were seized, leaving 66 tons for sale (most originating in Southeast Asia). Europe, similarly, had 43 tons available for sale after seizures, and most of the supply came from Southwest Asia.

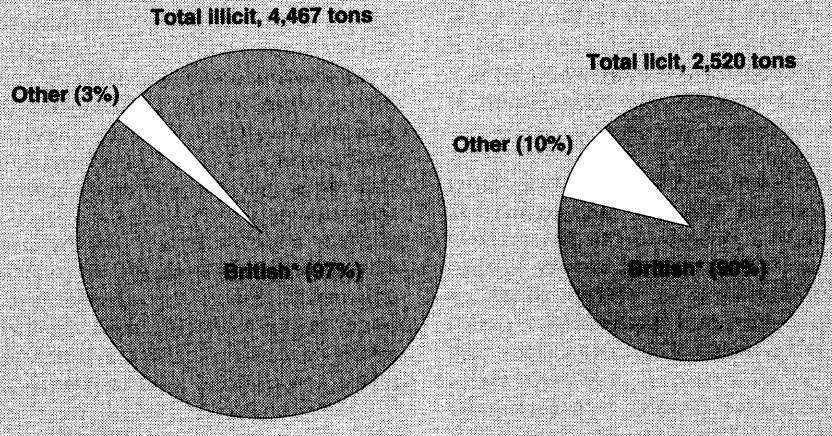
This table shows that the common media and government distinction between producing and consuming regions is ultimately misleading, in some cases deliberately so. It also leaves no doubt that a new opium war, directed against the same general region as the nineteenth-century Opium War, is now in progress.

FIGURE 17
Licit opium: the major producing countries



Source: UN.

FIGURE 18
British domination of world opium production, 1995



* British Commonwealth; former British colonies and satrapies; and British-aligned former French colonies.

Sources: NNICC; INCSR; UN; NALA; *EIR*.

TABLE 1
Disposition of world heroin production, 1995
(tons)

Source	Destination: Local consumption	Exported to U.S.	Exported to Europe	Total
Southeast Asia	86	61	21	168
Southwest Asia	111	10	30	151
Ibero-America	0	12	0	12
World production	**197**	**83**	**51**	**331**
Seizures	0	–17	–8	–25
Net consumption	**197**	**66**	**43**	**306**

Sources: NNICC; INCSR; UN; NALA; *EIR*.

Pharmacological 'revolution' sweeps Europe, America

by Jeffrey Steinberg

"There will be in the next generation or so a pharmacological method of making people love their servitude and producing dictatorship without tears, so to speak. Producing a kind of painless concentration camp for entire societies, so that people will in fact have their liberties taken away from them but will rather enjoy it, because they will be distracted from any desire to rebel—by propaganda, or brainwashing, or brainwashing enhanced by pharmacological methods. And this seems to be the final revolution."

—from a 1961 lecture by Aldous Huxley, at the California School of Medicine in San Francisco, sponsored by the U.S. Information Service's Voice of America

In February 1996, the U.S. Drug Enforcement Administration convened an emergency summit of law enforcement officials from across the country, to chart out a response to an epidemic-proportion jump in illicit methamphetamine ("meth") use in the United States. Two months later, the DEA released a *National Methamphetamine Strategy,* which candidly admitted: "Trafficking of a highly potent form of methamphetamine has been on the rise in the United States over the past few years, and abuse continues to devastate many communities. Although still more common in western areas of the country, methamphetamine trafficking and abuse are no longer confined to any one region: Methamphetamine is spreading eastward. The production and trafficking structures now in place, if left unchecked, pose the risk that the nation as a whole will experience very serious levels of methamphetamine abuse."

The *Strategy* noted with alarm, that, since 1993, large quantities of meth have been flooding the United States from Mexico. In March 1996, U.S. and Mexican anti-drug authorities captured a large and sophisticated meth lab in the Yucatan Peninsula, and seized one of the largest supplies of the stimulant in history. Multi-drug cartels, in Mexico and Colombia, are now emerging as major suppliers of methamphetamine to the U.S. market (according to the DEA, the Cali and Medellín cartels have, for over a decade, been major suppliers of Qualudes, a depressant, to the U.S. black market).

Inside the United States, the growing involvement of the major international drug cartels in the meth trade has meant that methamphetamine distribution is being increasingly dominated by the same apparatus that trafficks in cocaine, heroin, and marijuana, and has vast smuggling, distribution, and money-laundering capabilities. DEA sources tell *EIR* that, this year, the California Highway Patrol has made seizures of pure methamphetamine that are larger than any recent cocaine seizures.

Buttressing the evidence of the recent emergence of the Ibero-American multi-drug cartels in the U.S. methamphetamine trade, is the following data, from the *Strategy* document: In 1992, federal agents seized a total of 6.5 kilos of meth at the U.S.-Mexican border. The following year, 306 kilos were seized, and in 1994, 682 kilos were confiscated.

But, the picture presented in the *Strategy,* although alarming, represents just the tip of the iceberg. Meth is but one of a growing number of illegal synthetic drugs flooding the American and world markets. *The National Drug Control Strategy: 1996,* produced by the White House, acknowledges that LSD and stimulant use by 8th, 10th, and 12th graders has increased by 82% and 37%, respectively, in the first half of the 1990s. And, the National Narcotics Intelligence Consumers Committee (NNICC) annual report has, for several years, catalogued growing abuse of PCP (Phencyclidine), a powerful hallucinogen; MDMA (a.k.a. "Ecstasy"), a combination of methamphetamine and MDA (a strong hallucinogen); Methcathinone ("Cat"), a stimulant; and a growing number of "controlled substance analogs," more popularly known as "designer drugs."

The deeper crisis

The tremendous recent increase in Ecstasy abuse in the United States and Europe provides an alarming window into the deeper cultural crisis that the synthetic drug explosion signals.

The May 13, 1996 issue of the *New Federalist* newspaper featured an article by Carol Greene, "Techno-Music Will Destroy Your Brain," exposing computer-generated techno-music as the latest, most mind-deadening, and fastest-growing aberration of the drug-rock counterculture. Greene wrote: "In Germany alone, approximately 2 million sadly bored and under-stimulated members of the middle-class, mostly students, sales personnel, administrative workers, and computer specialists, are members of the 'rave society.' Entertainment specialists in Germany estimate that 56% of the above go to a techno party once a week and some 22% even go more than twice a week." The overwhelming majority of "ravers" use Ecstasy (MDMA) to throw themselves into a trance-like, but energized state, as they spend hours at the techno clubs, dancing in all-night, and sometimes weekend-long, dance marathons, to computer-generated, repetitive noise, playing at 85-120 decibels.

The techno "revolution," like the earlier "Beatle-mania," began in Britain in the early 1980s, and has now spread across Europe and the United States. The Berlin Love Parade in May 1995, a weekend "rave-fest," drew an estimated 350,000 participants, courtesy, in part, of a massive advertising campaign, subsidized by Marlboro and Camel cigarettes, and Addidas sneakers. The Berlin event dwarfed Woodstock, by comparison. German authorities estimate that a half-million German youths participate in rave sessions every weekend.

The rapid expansion of designer drugs, of which Ecstasy is but one currently leading example, offers another crucial look into the future of Dope, Inc. In 1987, Dr. Joseph D. Douglass, Jr. and Neil C. Livingstone co-authored a book called *America the Vulnerable: The Threat of Chemical/Biological Warfare.* They wrote:

"One of the newer complications confronting both civil and military authorities is the spread of 'designer drugs,' high-tech heroin substitutes. These drugs are synthetics designed to mimic heroin—hence the name designer drugs. The drugs are exceedingly potent. The newest ones are up to four

thousand times more potent than heroin, and because they are new, they are not illegal. When one drug is identified and declared illegal, less than a month goes by before a new, modified—and legal—variant or analogue surfaces to take its place. And the process continues. The first fentanyl analogue, alpha-methyl-fentanyl, appeared in 1979 in Orange County, California. Since 1981, DEA laboratories have identified seven more fentanyl analogues. Authorities in California now estimate that 20% of heroin addicts are using the fentanyl analogues.

"One of the authorities in the field, Dr. Gary Henderson (a pharmacologist and toxicologist at the University of California, Davis), believes that a world-class medicinal chemist has been responsible for the many analogues of fentanyl that have appeared. . . . The drugs are very pure, and the doses are very uniform. . . . The quality is comparable to what one might expect if the source were a pharmaceutical plant rather than a clandestine basement laboratory."

Douglass and Livingstone then warned: "Because the designer drugs are so potent, tracking the substances down is exceedingly difficult and getting worse. A two-hundred gram batch of fentanyl (less than a half a pound) represents a lifetime supply of two hundred million doses. This potency also greatly magnifies the difficulty of detecting evidence of use in the bloodstream or urine. Extremely sensitive laboratory techniques are required to detect such drugs—techniques capable of detecting concentrations of a few parts per billion. The drugs are astronomically more profitable than heroin. This explains why the supply of these designer drugs can be expected to expand. An investment of $2,000 translates into a street value of over $1 billion."

The DEA does acknowledge that some of the flow of synthetic drugs onto the black market comes directly from large pharmaceutical houses that are wittingly involved in the illegal trade. President Clinton has taken up this problem, in at least one, most egregious case. On Oct. 21, 1995, he signed Executive Order 12978, entitled "Blocking Assets and Prohibiting Transactions With Significant Narcotics Traffickers," which named a dozen Colombian pharmaceutical manufacturers and distributors as fronts for the Cali Cartel, and banned any American companies or citizens from doing business with them.

The DEA acknowledges that large "legitimate" pharmaceutical manufacturers in western Europe, China, and Brazil are now supplying drug cartels with synthetic drugs. in growing volumes. Here, the evidence shows, again, that Dope, Inc. is a top-down structure.

A unique challenge

For years, official U.S. government statistics on the use of illegal synthetic drugs have grossly underestimated the size of the traffic. There are understandable reasons for these errors.

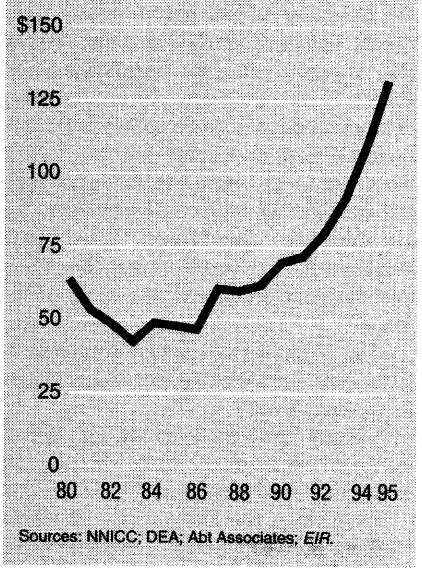
Unlike cocaine, heroin, and marijuana, which are all cultivated drugs, synthetic drugs are far more difficult to track. Through Landsat satellite photo-analysis, low-altitude aerial reconnaissance, and ground surveillance, drug-enforcement agencies can develop reliable estimates of the gross amount of opium poppy, coca plants, and marijuana plants under cultivation at any given time. Synthetic drugs, especially the newer designer drugs, cannot be tracked as easily, because they are manufactured from chemicals that are, for the most part, easily obtainable on the commercial market. This is precisely why many law enforcement specialists agree with Douglass and Livingstone, when they assert that designer drugs are "the wave of the future."

The DEA has developed a number of techniques for measuring the volume of synthetic drug abuse:

- They keep track of the number of underground synthetic drug laboratories, which are busted each year;
- Through the Drug Abuse Warning Network (DAWN) system, they receive data from every hospital emergency room in the United States, indicating the number of patients who come in with traces of synthetic drugs in their bloodstream, and the number of patients who die of synthetic drug overdoses;
- The Justice Department and the FBI try to maintain parallel data on all people who are arrested and tested for drugs;
- The DEA also keeps track of the volume of synthetic drugs seized each year;
- The National Household Survey on Drug Abuse (NHSDA) questions a sample

Frenzied youth in Germany, many high on the drug Ecstasy, dance to computer-generated "techno" music, the latest aberration of the rock-drug counterculture.

FIGURE 19
Synthetic drugs: value of sales



Sources: NNICC; DEA; Abt Associates; *EIR*.

of Americans about their use of illegal drugs;

• And, through undercover operations, the DEA, in conjunction with other law enforcement agencies, maintains generally up-to-date and reliable data on the wholesale and retail prices of every illegal drug, including all the major synthetics.

In the spring of 1995, the White House Office of National Drug Control Policy published a report, "What America's Users Spend on Illegal Drugs, 1988-1993." The study was prepared by Abt Associates, Inc., a Cambridge, Massachusetts research outfit that has done illicit-drug research for the federal government for years. The Abt study developed data on heroin, cocaine, and marijuana abuse, using two distinctly different methods of analysis. They generated figures based on production data, and figures based on consumption data. The consumption data invariably relied on the highly dubious Household Survey. (Abt, to its credit, admitted this problem in the report: "We do note . . . that the NHSDA undoubtedly misses some users, and those who are reached probably have an incentive to misrepresent their consumption.")

In the case of cocaine, Abt's production-based data were in the same general ballpark as the *EIR* survey. (The consumption-based estimates were significantly lower than *EIR*'s, across the board.) But in the case of synthetic drugs, where Abt was unable to obtain any reliable production data, and, therefore, relied exclusively on the NHSDA-derived consumption statistics, the figures were grossly underestimated. Thus, for example, in 1993, Abt estimated that the total dollar value of all "Other Drugs" (i.e., not cocaine, heroin, or marijuana) in the United States that year was $1.8 billion. The *EIR* estimate for 1993 was $46 billion!

Even though the National Household Survey is notorious for understating the drug abuse problem, it does present a stark "best case" picture when it comes to the estimates of the number of Americans who are hooked on synthetic drugs. According to NHSDA figures for 1988-93, in each of those years, well over 2 million Americans used inhalants (usually, black market pharmaceuticals), 2.5 million used hallucinogens, and over 3 million used stimulants and tranquilizers.

Our method

EIR researchers reviewed virtually every available DEA and NNICC study from 1977 to 1995, to develop a more reliable approximation of the synthetic drug trade. During 1977-80, the NNICC studies provided precise dollar estimates for domestic synthetics. From 1981-84, the NNICC studies published annual data on the number of doses ("d.u.") of synthetic drugs consumed by Americans. By multiplying the number of d.u.'s by $5 (the average retail cost per dose of synthetic drugs, according to the DEA), *EIR* was able to come up with an estimated dollar value for illegal synthetic drugs, for the 1981-84 period.

The 1987 NNICC study reported that synthetic drug abuse that year was equal to the 1980 figures, and had increased by 30% from 1986. This made it possible to estimate the figures from 1985-87.

From 1987-90, the DEA released figures on the total number of doses of synthetic drugs seized in the United States. By reviewing the percentages of cocaine, marijuana, and heroin seized during the same period, *EIR* was able to estimate that the volume of synthetic drugs seized was approximately 20% of the total illicit trade. Thus, estimates on the size of the synthetic drug trade for the period from 1987-90 were generated.

For many of those years, and for 1990-95, the DEA also published data on the number of kilograms of synthetic drugs seized, the number of laboratories busted, and the number of emergency room cases reported in the DAWN survey. Specific data on the amount of methamphetamine seized along the U.S.-Mexico border during the 1990s were also available, courtesy of the *National Methamphetamine Strategy.*

Based on these statistics, *EIR* developed an index which suggested a pattern of growth in the illegal synthetic drug trade. The figures for 1991-95 were derived, via that indexing method, from the more precise annual figures covering the period from 1977 to 1990. While there is an element of scientific guesswork in the post-1990 data, and, therefore, a possibility of greater margin of error, there is no doubt that the years 1992-95, as described by the DEA and other law enforcement sources, have been a period of geometric expansion of the illegal synthetic drug trade in the United States and in western and eastern Europe. The numbers generated by the *EIR* method are commensurate with the rates of growth described qualitatively in such locations as the DEA's April 1996 *National Methamphetamine Strategy* and the *National Drug Control Strategy: 1996.*

The tremendous growth in the synthetic drug market in the United States has, according to DEA and other law enforcement sources, been paralleled in both western and eastern Europe (including Russia). The DEA reports that the distribution of synthetic drugs is usually concentrated in the areas where there are laboratories producing the illegal products. Europe is widely identified as an area where there are concentrations of underground synthetic drug labs, including in such Central European states as the Czech Republic and Poland. The tremendous growth of Ecstasy use all across Europe further bears out this assessment.

For the purposes of this study, given the prevalence of illegal synthetic drugs on the European markets, *EIR* estimates that the U.S. totals represent half the world consumption of illegal synthetic drugs.

The meteoric rise in synthetic drug sales since 1990 (see **Figure 19,** which shows a jump from $70 billion in global sales in 1990, to $132 billion in 1995) correlates with another critical finding of this *EIR* study. In recent years, larger and larger percentages of the total opium crop are being produced for local consumption in the country of production, rather than for the American and European markets. This is greatly expanding the overall addict population worldwide. And, increasingly, synthetic drugs are supplementing, and, in some cases, replacing cocaine, heroin, and marijuana as the "drugs of choice" for so-called advanced sector users.

The British oligarchy's global drug money-laundering machine

by Richard Freeman

The recent case of the international money-laundering maneuvers of Mexican political figure Raúl Salinas de Gortari, has put a spotlight on the issue of money laundering. Salinas's case involves the laundering of at least $84 million of illicit funds (maybe as high as $600 million), into Swiss and London bank accounts and Cayman Islands shell corporations, through the services of a senior officer of Citibank. The 1989-93 laundering of Salinas's illicit funds, which reportedly included some received from drug-traffickers, such as Mexico's Gulf Cartel drug lord Juan García Abrego, was accomplished with the knowledge and approval of top echelons of Citibank, as well as the U.S. Federal Reserve Board of Governors, potentially including Fed Chairman Alan Greenspan.

This is merely one example out of perhaps 50 that happen every week, but go unreported. It has a long history. During the 1980s and early 1990s, Colombia's Medellín drug cartel overran the world with tens of billions of dollars worth of cocaine per year. The cartel had a desperate need to launder its cash, which itself weighed several tons. According to Rachel Ehrenfeld, in the book *Evil Money,* the U.S. "institutions used by members of the Medellín drug cartel [for laundering] included Chemical Bank, Continental Bank International, Morgan Guaranty Trust, Security Trust International Bank and Republic Bank, New York." Among the international banks identified were Banco de Santander of Madrid, Spain and Miami; Union Bank of Switzerland in New York, Toronto, and California; and Lloyds Bank International of the Bahamas.

How is it possible that over the past quarter-century, since August 1971, the international narcotics and criminal money-laundering trade has survived and prospered? Why do the names of the world's biggest, most powerful, and most prestigious banks, with "impeccable credentials," show up in this trade, year after year? Why are the seemingly best efforts of law enforcement unable to stop them?

The answer is straightforward: No authorities have seriously gone after the real enemy. The people responsible for setting and enforcing anti-money-laundering policy, in particular in the advanced sector, will pursue investigations up to a point, sometimes collaring lower- and middle-level money-launderers. But they pull back at the idea of putting in jail the bankers and political figures "above suspicion." These are the people who run the trade and make it possible.

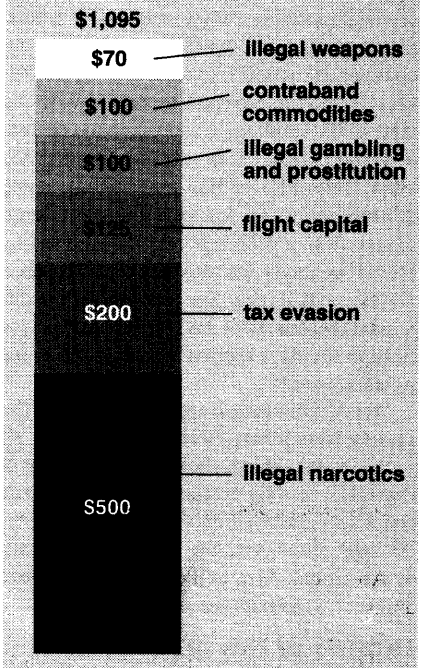
To be precise, this is the Anglo-Dutch-Swiss financier oligarchy, and the offshore banks based in the "former" British and Dutch colonial empires. The royal Privy Council officially rules in most of the British territories and "former" colonies. If one includes such postage-stamp countries as Liechtenstein and Luxembourg, as well as the British-controlled elements of the American, French, and German banking systems, such as J.P. Morgan and Edmond Safra's Republic National Bank, one has almost the entirety of the world's money-laundering apparatus. This comprises approximately 40 key commercial banks, and 20 investment banks, including English Queen Elizabeth II's personal bank, Coutts, which is an estimable force in the Channel Islands, as well as the Bahamas and Cayman Islands.

The Anglo-Dutch-Swiss financier oligarchy, and their satraps in the British Commonwealth, which total nexus we will call the "extended British Commonwealth empire apparatus," not only runs this criminal money laundering today, but has run it for two centuries, going back to the British Opium Wars against China and before.

Hooked on drugs

The profits and level of cash flow from money laundering are huge: It is the biggest private cash flow in the world. *For this reason, the banks are more addicted to this narco-money stream than is the heroin junkie to his fix.* The banks could not give up this money without collapsing. The world banking system is utterly bankrupt, and the only real income stream it earns on its loans and

FIGURE 20
The 'black' economy is flourishing: $1.095 trillion per year



Source: *EIR*

investment is not the electronic entries of derivatives trading, but what it steals from the population. Drug and criminal profits are among the principal sources of these—along with looting of Third World nations and the advanced sector. The British will do everything to protect the narco-money-laundering trade at all costs.

Figure 20 shows the estimated total amount of laundered money for 1995. The drug money component of about $500 billion is computed by methods discussed elsewhere in this study. However, the actual figure may be significantly larger. Author James Adams, an authority on drugs, with sources in British intelligence, stated in the Nov. 15, 1995 London *Times,* "Last year [1994], $400 billion of illegal drug money was laundered in America, of which $320 billion came from the Colombia cartels." If $400 billion is the figure for America alone, then *EIR*'s estimate of $500 billion as a world figure is extremely conservative.

Our figure of all other criminally laundered money, of $595 billion, is also conservatively estimated. It encompasses such items as contraband of otherwise legal commodities (gold, gems, strategic metals, food, oil); ille-

gal weapons; flight capital; tax evasion; illegal gambling and prostitution. Official figures for these areas do not exist; *EIR* consulted law enforcement officials and experts in each field. For each item, *EIR* chose the smallest reasonable estimate. The total trade of all criminal money is a staggering $1.095 trillion per year. In 1995, world merchandise and commercial services exports were $5.4 trillion. Thus, the criminal money-laundering trade of $1.1 trillion, is equivalent to one-fifth of world exports of all merchandise and services. (The $1.1 trillion may include some double-counting: for example, laundered money from a drug sale may be used to buy illegal weapons for terrorists. But because *EIR* began with very low estimates of the different components of the laundering trade, we believe the $1.1 trillion figure to be in the right ballpark.)

The financier oligarchy's take on the money laundering is immense. When all forms of fees, bribes, money earned by use of the funds, etc. are considered, the profit rate can reach between 10% and 15% of the overall haul. Thus, the rate of financial return alone on this $1.1 trillion can be between $100 and $150 billion a year.

Origins of the problem

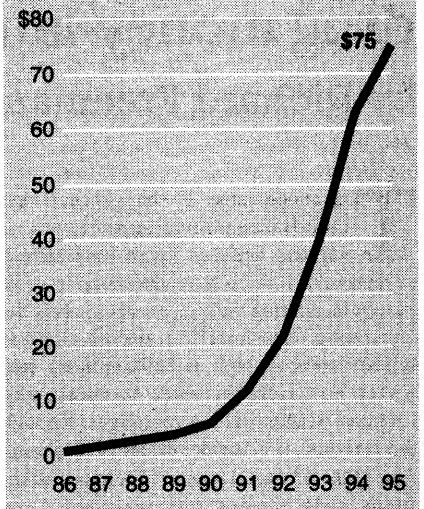
The drug trade's dirty money laundering has been around for millennia. By the 1700s, the Middle Eastern portion of the drug trade was centered in Aleppo, Syria, and the Asian portion was run by the Dutch and then the British monarchies, through their East India Companies. During the 1950s and 1960s, organized crime chieftain Meyer Lansky was one of the masterminds of the trade.

In August 1971, a turning point was reached. U.S. President Richard Nixon took the dollar off the gold standard, and the floating exchange-rate system was introduced. The volume of Euro-dollars—hot dollars and other currencies outside their country of origin—exploded, helped by the petro-dollar recycling after 1973-74. From a few billions in the 1960s, the Euro-dollar market zoomed to above $1 trillion by the 1980s.

Once U.S. Federal Reserve Board Chairman Paul Volcker sent interest rates into the stratosphere in October 1979, and the U.S. banking system was deregulated in 1982, two conditions prevailed, both part of Britain's "post-industrial society" policy. First, manufacturing, agriculture, and infrastructure production collapsed. On a per-capita and per-household basis, the market basket of physical goods in the United States has collapsed by 40% since 1967 (see *EIR*, Jan. 1, 1996).

Second, speculative markets, from junk bonds, collateralized mortgage obligations and derivatives, to drugs, increasingly came to determine the geometry of the world economy. The more the physical economy collapsed, the more the speculative flows, which were growing at a hyperbolic rate, dominated. And within this arrangement, drugs and criminal activity, by design, came to rule the speculative markets. It is not an accident, that the leading derivatives-trading centers are also the leading drug-money-laundering centers. There are some legitimate funds in offshore banking centers, representing legitimate business. But this appears to be the minority. The narco and speculative markets are intermingled into one: It is now nearly impossible to separate one from the other.

FIGURE 21
World derivatives outstanding

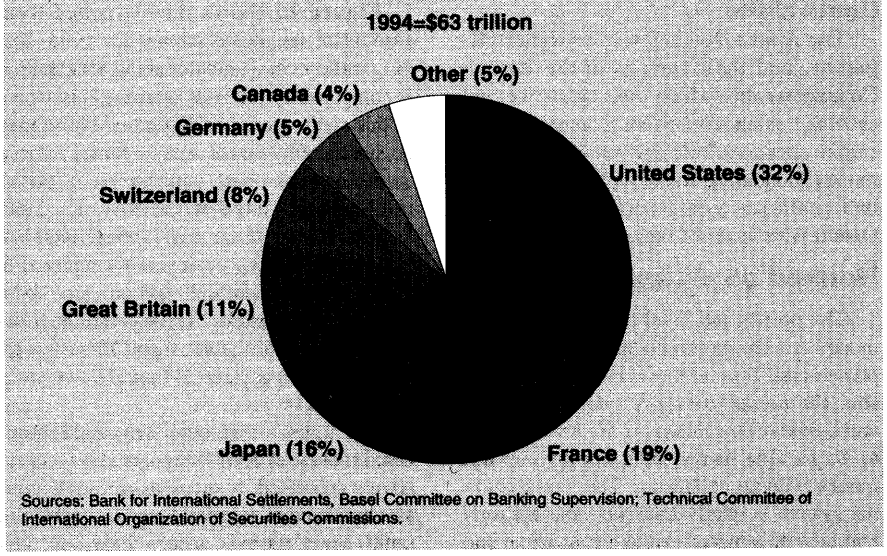


Sources: Federal Deposit Insurance Corp.; Bank for International Settlements, Basel Committee on Banking Supervision; Technical Committee of the International Organization of Securities Commissions (IOSCO); *EIR*.

Take the high-flying derivatives markets, the biggest speculative cancer in the world. The derivatives trade has exploded from $1 trillion in derivatives outstandings in 1987, to $75 trillion by 1995 (**Figure 21**). The national banking systems that hold these derivatives are shown in **Figure 22,** although it should be noted, that many of these national banking systems hold these derivatives not simply in their own countries, but in markets such as Hongkong, Singapore, and the Channel Islands. The paper profits on the derivatives are large, but they are only electronic entries in cyberspace. In reality, drug money, sucked from the consumption of the addicted population, is propping them up (**Figure 23**).

The drug trade not only gobbled up the speculative markets, but it started gobbling up the physical economy, turning over trillions of dollars of assets to the British narco-bankers. The corporate takeovers binge of the 1980s and 1990s was financed in significant measure by drug revenues. Further, the drug mob opened gambling casinos (legal gambling revenues in America in 1994 totalled $407 billion, larger than the auto market), houses of prostitution, and more speculative

FIGURE 22
Derivatives exposure, by country



Sources: Bank for International Settlements, Basel Committee on Banking Supervision; Technical Committee of International Organization of Securities Commissions.

markets. The economy was criminalized and destroyed.

Three steps in money laundering

There are three steps in the process of turning criminal money into "clean" money:

1. The street-level drug dealer must enter the dirty money into the banking system;

2. The money-laundering machine will transport it through several locations, perhaps registering it along the way in a trust, with only a nominee name of a trust officer, perhaps in the Bahamas, indicating who owns the instrument. The trust gives the beneficial owner—the real owner—anonymity. If the money is then moved through 6-9 jurisdictions, each with bank secrecy, a process called "layering," it could take law enforcement 6-12 months to plow through each jurisdiction—such as going to courts to obtain warrants to search bank accounts—by which time, the statute of limitations on the crime could expire. This presupposes that the law enforcement agency can even trace the money after the second or third level of layering;

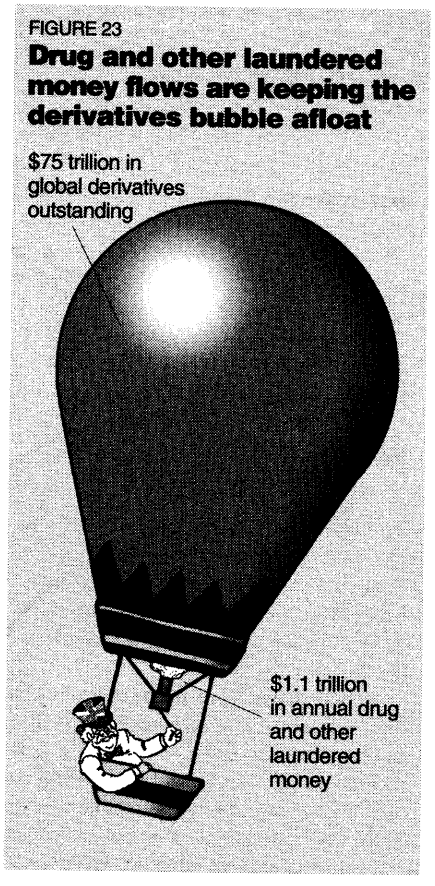
3. The money is finally lodged in an investment or a secret, numbered account, with the capability of moving it out at lightning speed, if necessary.

We shall look first at the street level of getting the money into the banking system. Second, we shall examine the ways in which the Anglo-Dutch-Swiss financier oligarchy moves this money many times around the globe, reaping as much as a 10-15% profit on the operation. This will demonstrate the extent of British control. Third, we shall look at how the laundered money is brought back "on shore," and where it is invested. A case study of the Bahamas will be examined.

Street-level money laundering

Since 1970, the United States has required all banks to file reports on all cash deposits of $10,000 or more—called cash transaction reports (CTRs)—and in 1986, the passage of the Bank Secrecy Act put a penalty on banks that failed to properly and honestly file CTRs. The CTRs are filed with the Internal Revenue Service, and are made available to law enforcement agencies that demonstrate a need to consult them. This is to create a barrier to drug money laundering. It is a useful and well-intended step, but even if honestly adhered to (and there are many loopholes), it is simply inadequate as a deterrent against money laundering. However, there are many countries, starting with Great Britain, Canada, Switzerland, the Cayman Islands, and Mexico, that do not even have a CTR reporting requirement or penalty provisions for lack of enforcement.

FIGURE 23
Drug and other laundered money flows are keeping the derivatives bubble afloat



Entering the street-level drug money into the banking system is a bigger hurdle than it might initially appear. Take a hypothetical drug deal in the United States. Five kilograms of heroin (11 pounds) retails for $6.5 million. But, $6.5 million in $20 bills weighs 370.5 kilograms or 812.5 pounds. The weight of the money is 75 times the weight of the drug smuggled in; $100 billion in laundered drug money, in denominations of $20 bills, weighs 12.5 million pounds. If it was difficult getting the drug smuggled into a country, think of how difficult it will be to smuggle the cash!

The drug dealer has two options. He will either launder the drug money revenues inside the banking system of the country in which the sale was made, or ship a sizable portion of the cash outside the country of sale, using the same smuggling network infrastructure he used to smuggle the drugs in, but in reverse.

Consider some examples of the first instance. Laundering the money in the country where the sale was made, means taking some of the money to the banks; in the United States, that means employing "mules" or "smurfs" to make bank deposits in amounts of, usually, no more than $5,000 to $7,000, so as not to arouse suspicion. To launder $1 million per week that way, would require smurfs to make about 200 deposits per week, within the same area, at multiple banks. This requires a lot of work, and raises the possibility of detection. However, perhaps between $50 and $75 billion annually is laundered this way.

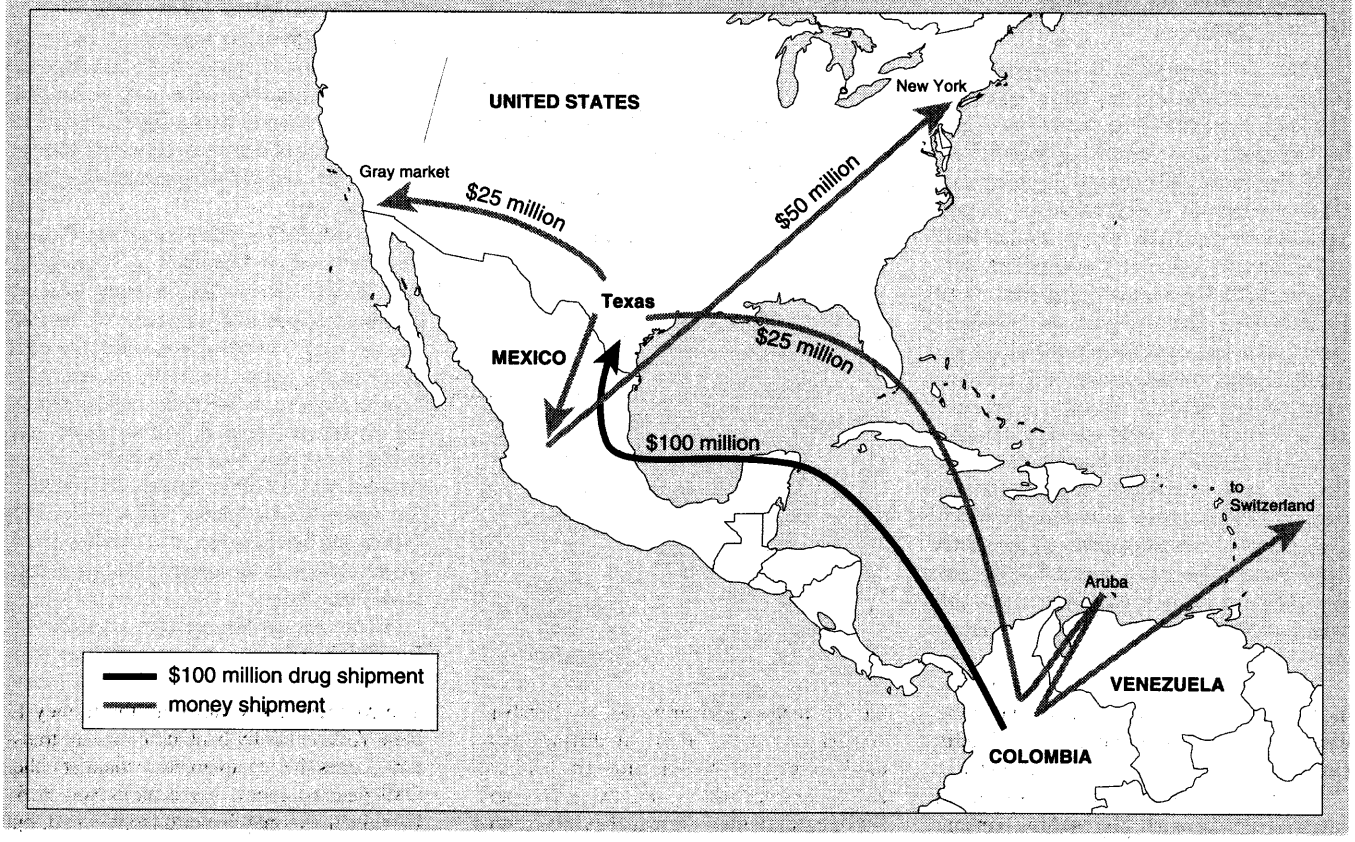
The evidence of this is clear. The Federal Reserve Board of Governors in Washington, D.C. keeps tabs on those Federal Reserve banking regions that turn back to the Fed "excess cash," because it exceeds the cash needs of the region. In 1995, according to Federal Reserve statistics, the regions reporting the largest "physical cash surpluses" and turning these back over to the Fed were: Los Angeles, $13.6 billion; Miami, $7.1 billion; San Antonio, $3.0 billion; Jacksonville, $2.5 billion; and San Francisco, $1.4 billion. These are the cities with the highest street-level drug money laundering.

Gambling casinos are also a vehicle for laundering. The drug money-launderer buys chits with dirty money, waits a suitable period of time, and cashes them in for "clean" money. Since casinos in places like Las Vegas and Atlantic City are often run by Anti-Defamation League-linked organized crime elements, the casinos are compliant, and many take a cut of 1-5% for the service. In January 1996, the General Accounting Office of the U.S. Congress published a study, "Money-Laundering: Rapid Growth of Casinos Makes Them Vulnerable," that shows the danger. It points out that between 1984 and 1994, the dollar amount wagered in gambling casinos in America increased nearly fourfold, from $117 billion to $407 billion. In this time period, nearly 60 riverboat gambling operations were opened. This increased the number of facilities and dollar flows available for the drug money-launderer. While gambling casinos are required to file CTR reports for cash transactions of greater than $10,000, there are ways around that. Moreover, Nevada, the gambling capital of America, does not participate in the federal CTR reporting requirement of the Bank Secrecy Act (although Nevada has its own localized CTR reporting requirement). Prostitution is also legal in Nevada.

A third means of laundering is to use money-wiring services, such as Western Union, and check-cashing parlors, which do have to file CTR reports, but employ 15,000 employees, who are not carefully screened. In both money-wiring and check-cashing ser-

Map 12

How drug money is laundered: a hypothetical case



vices, there have been widespread instances of falsification of records to permit laundering.

In addition, money-launderers use retail businesses with high cash turnover, whose sizable weekly deposit levels are not expected to arouse suspicion at their banks. One example is the La Mina network in California, where gold coin and metal-plating firms in the 30-block Hill Street gold district of Los Angeles, working with the gold district of New York City, laundered $1.3 billion in Cali Cartel drug money between 1987 and 1990. But any and all sorts of stores will be used.

On May 14 of this year, a shocking development occurred on this front. Citing the need to reduce bank paper work, the U.S. Treasury Department lifted the requirement that banks must file CTRs for all business deposits of $10,000 or more. The new ruling, which is for a trial period, but is expected to go into effect permanently in the fall, states that any business whose stock is publicly traded on any American stock exchange is exempt from a CTR filing.

This is remarkable, because to take one example, the stock of Crazy Eddie's, a New York City-based consumer electronics store, was publicly traded on an American stock exchange. However, the store was involved in a number of criminal enterprises, and its principal owner and founder, Eddie Antar, fled to Israel, after siphoning off more than $74 million. He was arrested and is now in jail, though $10 million is unaccounted for.

In the second option, the street-level drug money is physically shipped out of the country where the drugs were sold. The drug-producing network itself will either do this, or hire others to do it for a fee, often at 5-10% of the selling price of the drugs. In the United States, Colombian drug cartels often use Mexican smuggling networks to bring the drugs in and the money out.

Planes, speed boats, and even submarines, which make drug drops to a country, are now employed to ferry the cash supply out.

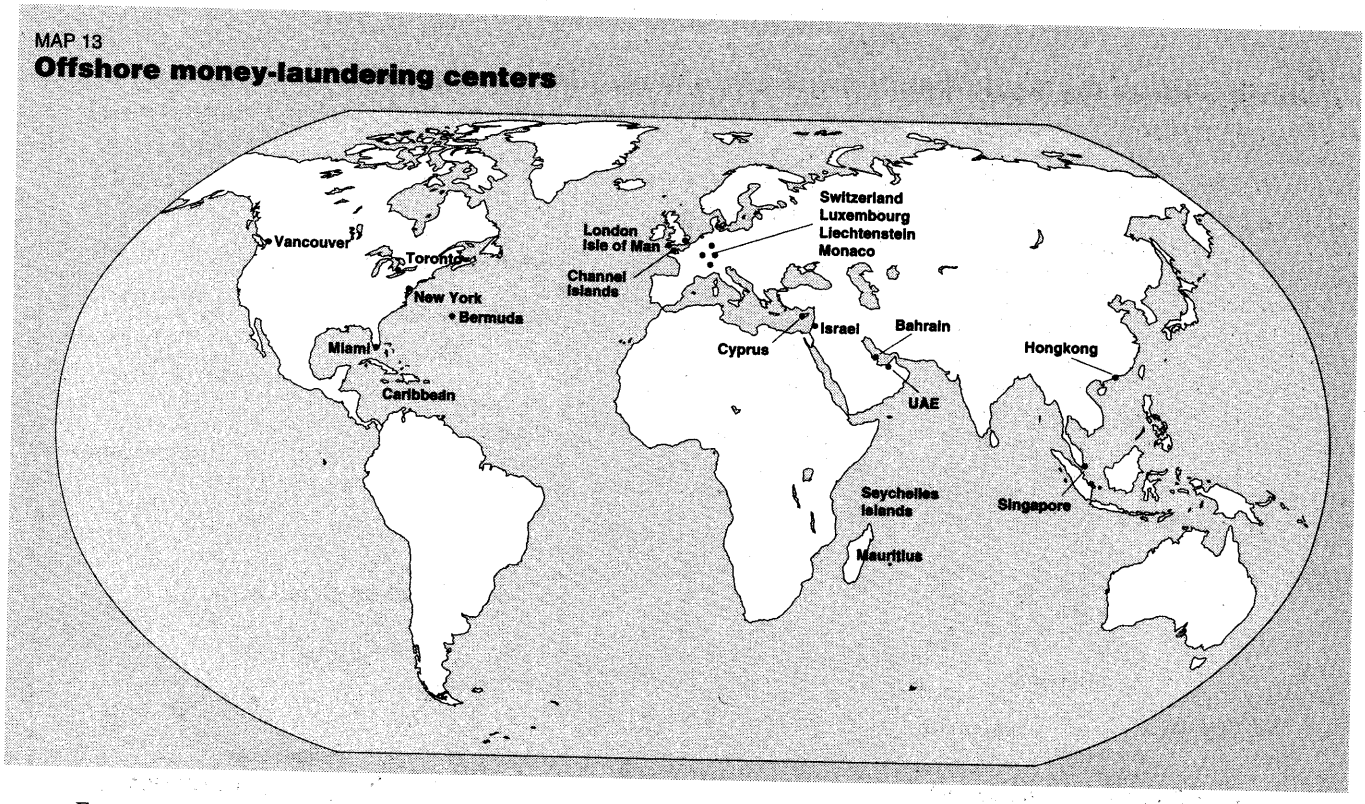
Smurfs are hired, at $2,000-5,000 a day, to carry the drug money onto airliners, or in the bodies or tires of their cars. Several years ago, federal agents caught Maria Lilia Rojas carrying out of the United States $1.43 million in six "Monopoly" boxes. In February 1986, officials in Texas arrested the pilot and two passengers of a private jet, flying $5.9 million out of the country. Today, that is small potatoes, compared to what some planes carry: $50 million or more.

The 1993 passage of the North American Free Trade Agreement (NAFTA) has facilitated money smuggling across the U.S.-Mexico border, by easing border-crossing restrictions. A Dec. 3, 1995 *Houston Chronicle* article, "Houston Awash in Money Laundering: Authorities Only Dent Export of Drug Profits," reported that "U.S. officials admit that only about one of every 10 vehicles and one of every 30 commercial trucks entering the United States are inspected. *Even fewer vehicles leaving the country are inspected.*" Send 30 trucks across the border to Mexico with cash, and on average, one is stopped. This is 3% of total volume, an acceptable loss to the drug money trafficker.

So-called *giro* houses, which wire money across the border into Mexico, are another option. These are used extensively for legitimate remittances by immigrant laborers in the United States. Naturally, these *giro* houses are located near the border, in states such as Texas. But they are also used to launder dirty

MAP 13

Offshore money-laundering centers



money. For example, a launderer enters the *giro* and presents the *giro* operator with dirty cash. The money is wired to a Mexican bank. The launderer, or his associate, picks up clean cash at the *giro*'s correspondent bank in Mexico. The *Houston Chronicle* reported, "In all . . . Houston *giro* houses may have laundered up to $250 million, most of it on behalf of the Cali Cartel."

On March 4 of this year, Rayburn Hess, officer of the U.S. State Department's Bureau for International Narcotics and Law Enforcement Affairs, delivered a speech in Panama that presented a "hypothetical" money-laundering example based on real-life composite pieces of the money-laundering operations. We will use Hess's speech for pedagogical purposes. The example is schematically represented in **Map 12.**

Hess stated, "Assume that the Cali Cartel is moving $100 million over the rather porous border from the United States to Mexico and operating on a 75% profit margin (earnings minus cost). . . . Cali wants to [receive] $85-90 million in total." It is willing to pay $10-15 million to those who help it move its drug money.

Hess presented the case of laundering the $100 million in three steps, in amounts of $25 million, $25 million, and $50 million:

1. The launderers "will sell $25 million on the gray market." This is an underground foreign exchange market, where Ibero-American businessmen swap their pesos (or other Ibero-American currencies) for dollars at an exchange rate that avoids the official exchange rate, and avoids taxes. The businessmen take the risk that they are getting dirty dollars. The money-launderer has gotten rid of his dollars and now has pesos. He transports the pesos he has acquired to Colombia, for example, exchanging them there for clean dollars.

2. Next, there is a fake invoicing scheme: "A South American clothing manufacturer working with Cali obtains a permit [in his country] to export $25 million worth of suits to New York" (or Miami, as represented in Map 12). The clothing manufacturer exports, however, only $6 million worth of clothing. That clothing is unloaded in the Aruba free-trade zone, and secretly shipped back to Colombia, where it is sold through the underground economy. The crates which held the clothing are then filled with some fake material, and the clothing "manufacturer's agent picks up $20 million in drug proceeds in New York and returns it to Colombia, covered by an export license."

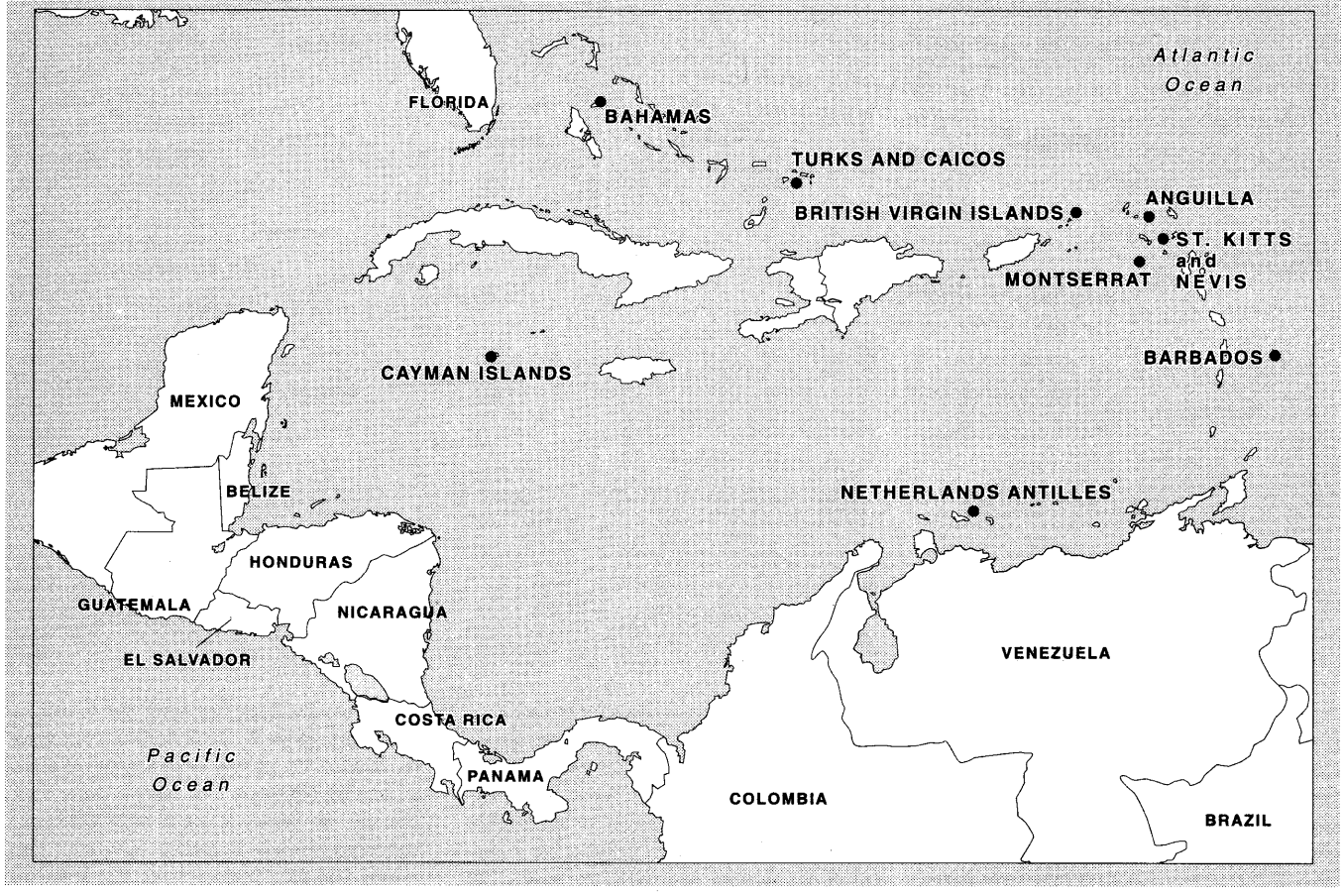
3. The remaining $50 million of drug money is smuggled by various routes described above, across the U.S. border into Mexico. The money is then deposited, by various money-laundering tricks, into one or several Mexican banks, which are more permeable than U.S. banks to laundered funds. The Mexican bank can send the money to New York, either by bank draft or wire transfer. It wires the money to an account at either a Mexican bank or a U.S. bank in New York. Usually, the money is not directly wired, but is settled through interbank accounts. This means that the Mexican bank that is wiring the funds, will have already deposited $50 million, *earned from a legitimate business deal,* at New York Bank A. When the $50 million in laundered money is wired to New York Bank A, it then debits this $50 million from the Mexican bank's account held with it. It gives the money to the money-launderer on whose behalf the $50 million was wire-transferred. The money-launderer now has a clean $50 million sitting in a bank in New York.

The process is aided by the fact that Mexican banks practice banking secrecy, which protects the identity of the person who wired the money.

The above example concerning money-laundering in Mexico, raises a serious question about the Mexican banking system. Under the NAFTA agreement, Section XIII, Financial Accords, the Mexican banking system was further deregulated. Foreign banks, which, with the exception of America's Citibank, had been banned from entering the Mexican domestic banking system, are now allowed in. Since 1995, two Canadian banks have been in the process of acquiring

MAP 14

The Caribbean: the Anglo-Dutch monarchy's money-laundering lake



Mexican banks: The Bank of Montreal has bought 16% of Bancomer, Mexico's second largest bank, with an option to increase its share to 55%; and the Bank of Nova Scotia has announced it will purchase 55% of the assets of Banco Inverlat, Mexico's fourth largest. These Canadian banks are experts, on behalf of the British, in money laundering. The Hongkong and Shanghai Banking Corp. is also sniffing around for corporations and banks to buy. This will make the Mexican banking system even more of a laundromat.

Hess's example also reveals a second deadly feature: the ease with which drug money can be laundered. This shows the glaring weakness of an anti-money-laundering approach that simply relies on cash transaction reports, suspicious activity reports (SARs), or the current U.S. anti-money-laundering strictures. So while a U.S. bank has to file a cash transaction report for a deposit of $10,000 or more, it is not required to file a CTR for wire transfers between domestic U.S. banks, or a U.S. bank and a foreign bank, even though wire transfers typically are many times larger than cash deposits.

According to a top Federal Reserve enforcement officer, a U.S. bank receiving a wire transfer is required to keep an internal record, listing only the name and address of the wire-sender and the name of the sending bank. Since Mexico has bank secrecy, the receiving U.S. bank may only receive the name of a dummy corporation, which is registered as a trust, say, in the Bahamas.

We begin to see how easy money laundering is, once the drug money has entered into the system. Wire transfers are a principal means for banks to settle accounts, or for businesses to move funds. The New York City-based Clearing House Interbank Payments System (CHIPS) electronically transfers funds and settles transactions in U.S. dollars for all the major banks that trade through New York City. One hundred and six of the world's biggest banks are members of CHIPS and avail themselves of this facility. In 1980, CHIPS transferred $37 trillion; but by 1995, the per annum level of funds transferred by CHIPS reached a whopping $310 trillion. A few studies have attempted to find out the volume of laundered money that moves through the wire transfer process. The results are inconclusive and even flawed. But were the amount only two-tenths of 1% of the total—and that could be very possible, meaning that one in every 500 transfers is criminally tainted—that would amount to $620 billion per year.

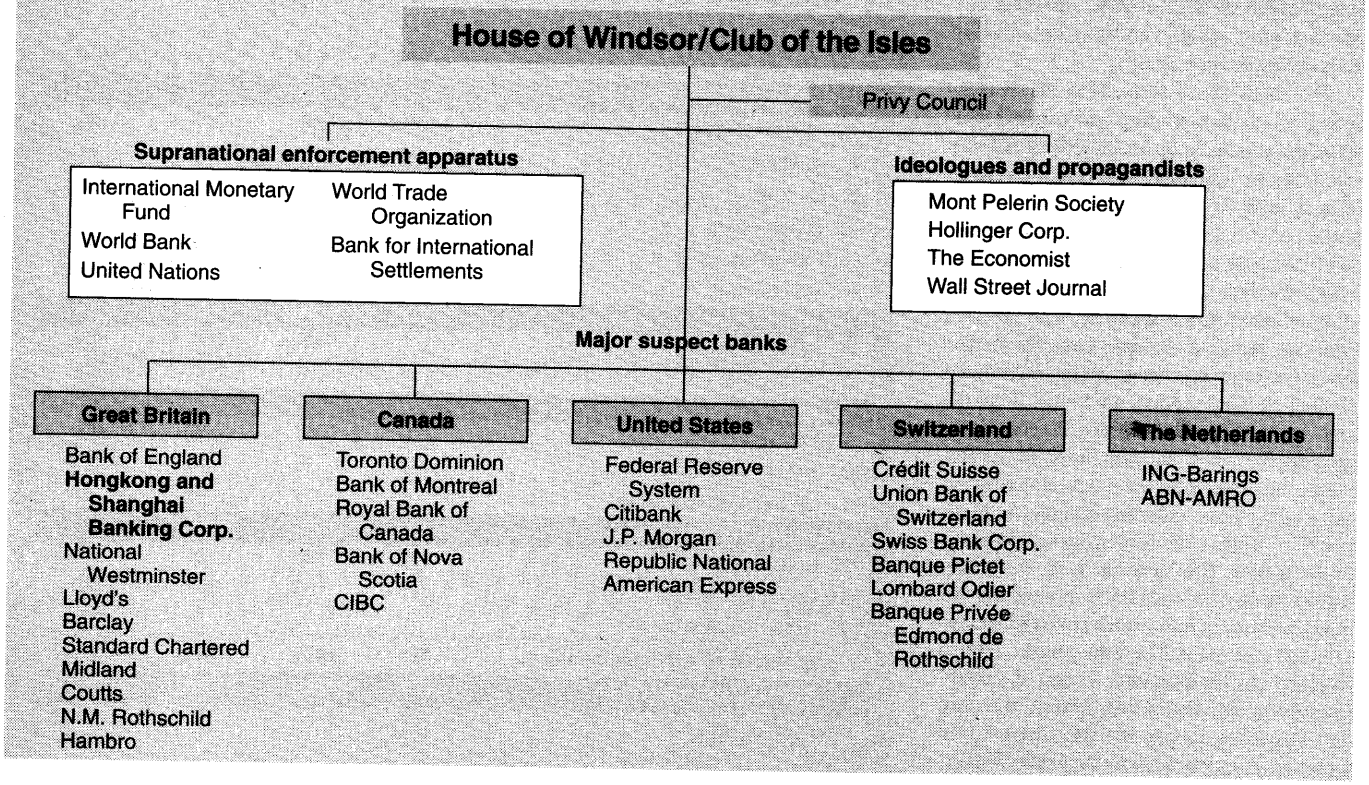
British control

Once the street-level drug money has entered the banking system, the higher-level laundering takes over. It moves the dirty funds through six to nine jurisdictions, perhaps registering it along the way in a trust, with only a nominee name of a trust officer attached to the instrument, disguising the real owner, making it very difficult for law enforcement authorities to track down the dirty money and the perpetrators.

The British are masters of this, and run the system. The proof is incontrovertible and, for the most part, out in the open for the willing investigator or law-enforcement official

FIGURE 24

The Dope, Inc. money-laundering apparatus



to find. Today, the problem is that many law-enforcement figures could uncover the modus operandi of the money-laundering network; but it is run by the British oligarchy, and once the investigators find it is the British, they would have to take them on politically. Most flee in terror and deny what they have seen.

The reader should take a map of the world, and trace out all the key locations where the slave trade was run over 200 years ago. Most of them turn out to be part of the old British and Dutch empires. Now, mark all the places where smuggling and piracy predominated. Next, find the points of production and shipping routes of the 1700s and 1800s drug trade, and the financial centers which serviced them. Now, step back: The map will look strikingly similar to **Map 13,** which shows the key offshore financial centers of the 1990s. **Map 14** shows the Caribbean region, the British-Dutch lake where so many offshore centers and/or tax havens predominate.

This is no coincidence. The British and Dutch simply took these criminal haunts, and the old criminal infrastructure and civil administration, slapped on a fresh coat of paint, and put a sign on the door reading, "Offshore Financial Center." Most investigators take them at their word, as if they knew nothing about history.

The actual command and control over world money laundering today resides in Great Britain (**Figure 24**). A large chunk of today's offshore laundering centers are officially governed by Britain's Queen Elizabeth II as their head of state and sovereign. Officially, the Queen's Privy Council is the ultimate legal authority in a legal system that permits bank secrecy and minimal regulation, and is governed by British law. Or else, these countries are ruled by allied Dutch-Swiss networks. It is not an exaggeration to say that nothing significant occurs in these money-laundering dives without the Privy Council's approval. If the Privy Council wanted to shut down money laundering, it could; it set it up in the first place. The same holds for the Queen herself.

In addition, while sometimes money laundering goes through small, obscure banks, most of it goes through the extended British Commonwealth network of 40 commercial banks and 20 investment banks. The drug-money flow is so large, that no smaller entities could handle it, and consistently hide it. This requires financial sophistication and tremendous political pull.

The list of major banks to be investigated for possible drug- and hot-money laundering, includes: the British clearing banks Standard Chartered, Lloyds, and Barclay; private British banks such as Coutts and Rothschilds; the Canadian clearing banks, led by Scotia Bank (formerly Bank of Nova Scotia), Bank of Montreal, Toronto Dominion, and the Canadian Imperial Bank of Commerce; the big three Swiss banks, Crédit Suisse, Swiss Bank Corp., and Union Bank of Switzerland; some of the exclusive Swiss private banks, such as Banque Pictet and Lombard Odier; the Dutch banks ING-Barings and ABN-Amro; the British-controlled American banks Citibank, Morgan, and the Republic National Bank.

Then, there is a special institution, the linchpin of the drug money laundering, the $350 billion-in-assets Hongkong and Shanghai Banking Corp. The HongShang, as it is called, was formed in the middle of the last century, specifically to finance Britain's opium trade with China. The HongShang is still the primary bank of issue for the British Crown colony and money-laundering center of Hongkong. But the HongShang also spans the globe, owning the powerful Midlands Bank in England; the Bank of the Middle East; Marine Midland bank in the United States; Mocatta Metals (through Midlands bank), one of the five banks that sets the world gold fix. It is active in the Caribbean.

With its headquarters moved to London, it still possesses markers of its past: On its board are the Swire, Keswick, and other old-line families, which ran the China opium trade during the last century.

The banks' direct financial profit on laundering $1.1 trillion in drug and criminal proceeds per annum, is up to 10-15% of the volume of money that enters the banking system. (This is aside from any profits made in other phases of the drug trade). To illustrate the point: Suppose that a $100 million deposit is made by a drug lord at one of the hundreds of offshore banks in the Bahamas. The bank, in turn, can charge a standard banking service fee, which can range between 1% and 3%, depending on what services are billed. Next, the bank has $100 million to lend. According to the June 7, 1996 *Financial Times,* in the Bahamas, "the spread between typical borrowing and lending rates, currently stand[s] at more than 9%." That is, the bank makes a 9% profit on the money. The bank can lend to anyone, but frequently, it lends back money, aboveboard, to the drug lord who deposited the money in the first place. The loan gets the money "onshore" for the drug lord. As part of the prearranged money-laundering scheme, the drug lord is willing to pay the 9% interest rate spread as compensation to the bank. Finally, the bank can also collect, on top of all this, outright bribes, which can range between 2% and 5% of the proceeds. Total of all fees and charges (assuming that the bank's spread on money is not normally as high as 9%): 10-15%.

In March 1996, the U.S. State Department's Bureau for International Narcotics and Law Enforcement Affairs released its "International Control Strategy Report," which classified 201 nations and territories by the degree of money-laundering in that country. The report listed as either "high" or "medium-high"—the highest two ratings—the following countries and possessions: Aruba, Antigua, Canada, Cayman Islands, Cyprus, Hongkong, Israel, Liechtenstein, Luxembourg, the Netherlands, the Netherlands Antilles, Singapore, Switzerland, the United Arab Emirates, the United Kingdom, and the United States.

Money-laundering havens

There are two ways that the laundered drug money will be held offshore: either as a deposit at a bank, or invested in one of the myriad of offshore investment instruments, such as trusts, mutual funds, and international business corporations.

When money is deposited in a country's banking system by someone who is not a national of that country, that is classified as a "bank's foreign deposit." When a bank lends money—usually the foreign money that was deposited in the bank—to someone abroad, that is classified as a "bank's foreign asset." Since foreign liabilities and foreign assets almost match, for most banking systems, one can talk about one or the other, to indicate the trend of both.

We will look at bank foreign assets, but we caution, this is not all the hot money in the banking system, because if a British money-launderer, for example, deposits money in the British banking system, that is considered a domestic deposit, but it is still laundered drug money. Thus, the volume of the laundered drug and criminal proceeds in the banking system is bigger than that discussed below, although more than half of all drug money is held in banks abroad. On the other hand, not all the money in foreign bank accounts is illegal; these foreign accounts include legitimate business funds deposited and/or lent abroad. But for the countries listed below, the amount of foreign assets is anywhere from 10 to 50 times more than is needed by their domestic economies. What does a postage-stamp economy need with a few hundred billion dollars of funds? Yes, some of these haunts can help one escape taxation. But take away the $1.1 trillion per annum drug and criminal money trade, a portion of which these banking systems capture and accumulate each year, and the category of "bank foreign asset" would fall by more than half, and up to 95% in some places.

EIR chose 14 financial centers to examine (**Table 2**), out of about 62. These 14 have the largest masses of funds, and statistical information is available on them, whereas for several offshore centers, only scanty statistics are available. The table lists the "bank foreign assets" of these 14 money-laundering centers. The British-Dutch-Swiss pedigree is apparent.

The next-to-the-last line in this table ("subtotal") tells quite a story. The level of foreign assets of deposit-taking banks in these 14, predominantly "offshore," centers, rocketed from $263 billion in 1974 to $3.937 trillion in 1994. This is a stunning 1,400% increase in just 20 years. It demonstrates the velocity of the money-laundering network's growth. For 14 economies, only one of which has a population of more than 20 million, to control nearly $4 trillion in bank foreign assets, gives them huge leverage over the world economy. In most of these places, the level of bank domestic assets is virtually nonexistent. Compare the next-to-the-last line to the last line, which shows total world bank foreign assets. In 1995, the 14 financial centers held 52% of the world's total bank foreign assets. These 14 countries represent less

TABLE 2
Foreign assets held in deposit banks, by country
(billions of $)

	1974	1980	1990	1994*
Industrial Nations				
1. United Kingdom	109	356	1069	1160
2. Australia	0	0	11	14
3. Canada	14	35	52	55
4. Luxembourg	15	32	355	390
5. Netherlands	24	105	186	205
6. Switzerland	42	140	444	464
Asia	**20**	**105**	**868**	**1028**
7. Hongkong	7	28	464	582
8. Singapore	9	45	347	363
Middle East	**9**	**77**	**154**	**154**
9. Bahrain	0	31	59	66
10. Israel	2	6	8	11
11. United Arab Emirates	1	6	18	17
Western Hemisphere	**54**	**272**	**619**	**668**
12. Bahamas	25	125	175	170
13. Cayman Islands	15	85	389	410
14. Netherlands Antilles	0	7	16	30
Subtotal 14 offshore centers	**263**	**1001**	**3593**	**3937**
Total all countries	**466**	**1822**	**6794**	**7565**

*Third quarter 1994.
Source: IMF.

than 2% of the world's population.

A country breakdown shows:

Cayman Islands—population: 34,000; bank foreign assets: $410 billion

Switzerland—population: 7 million; bank foreign assets: $464 billion

Bahamas—population: 270,000; bank foreign assets: $170 billion

Luxembourg—population: 390,000; bank foreign assets: $390 billion

Then, there is Britain, the self-avowed speculative capital of the world. With a population of 58 million, Britain holds bank foreign assets of $1.160 trillion, or 15% of the world's total. Britain holds more bank foreign assets than the United States and Germany combined, *despite the fact that their combined economy is seven times bigger than Britain's, and that their combined exports are five times greater than Britain's.*

What does Britain need all that laundered money for? Answer: to maintain its position as the speculative financial capital of the world. The British banking system is bankrupt several times over. But with these laundered funds, it can preserve its share of world financial turnover—and related political muscle. To wit: It underwrites 64% of all trading in equities in markets foreign to those equities' domicile; 45% of all international cross-border mergers and acquisitions; 75% of all debt borrowed in markets foreign to borrowers' domicile; 35% of all currencies swaps; it earns 50% of all shipbrokering commissions, and so forth.

Unlike the American banking system, where the banks are required to file CTRs, the British banking establishment doesn't think that that is a civilized practice. It wouldn't be "cricket" for the money-laundering trade, so such CTR reporting is not required. All the British require is the filing of Suspicious Activity Reports—which the American banking system requires also. In 1994, British banks filed a grand total of 13,000 SARs. In contrast, in 1994, American banks filed 8 million CTRs.

TABLE 3
British Empire's offshore financial centers

	Total Assets (billions $)
Cayman Islands	480
Singapore	390
Luxembourg	200
Switzerland	190
Hongkong	130
Lichtenstein	120
Channel Islands	110
Bahamas	100
British Virgin Islands	90
Curaçao	60
Turks and Caicos	30

Sources: "Comparison of Offshore Domiciles and Asset Protection Planning," by Walter H. Diamond; phone discussion with Mr. Diamond.

And while the British banking system proper does not formally have bank secrecy (however, just try to penetrate the gnomes of Lombard Street!), if strict bank secrecy is needed, the funds can first pass through any one of 10 British dependencies, ruled by the Queen, which do have bank secrecy, including the Cayman Islands, the British Virgin Islands, and the Channel Islands, which are off the coast of France, or the Isle of Man, which is off the coast of England.

Meanwhile, for continental money laundering, there is the impregnable Swiss banking system, with $464 billion in bank foreign deposits. Switzerland enacted bank secrecy laws in 1934, largely to help protect money laundered from France. But it was quickly used during World War II to hide Nazi assets and assist the Nazi war machine. During World War II, Swiss banks furnished 90% of Germany's foreign exchange requirements, without which the Nazi regime could not have bought anything abroad. In 1943, Nazi Minister of Economics Walter Funk declared publicly that his government could not afford even a two-month break in the Swiss financial connection.

The Swiss bank secrecy code states that bankers, lawyers, and others cannot divulge information about their clients' numbered financial accounts. The penalty for violation is both jail time and a fine. Also, conveniently, tax evasion, and securities and foreign exchange violations are considered fiscal or administrative offenses in Switzerland, not crimes. Therefore, Swiss authorities usually refuse legal assistance to countries trying to prosecute violators of laws in these areas who have parked their money in Switzerland. This paradigm has been emulated by the offshore financial centers.

Nonetheless, the Swiss gnomes have developed a reputation—largely created and promoted by themselves—for financial conservatism and uprightness. This is nonsense: The Swiss are wild speculators; per capita, Switzerland has 10 times the dollar derivatives levels of the United States, making it the highest in the world. The Swiss Banking Commission is not even allowed to regulate Swiss banks, only the auditing firms are, which the Swiss banks hire and pay for.

A second look at Table 2 reveals something else: the high degree of domination that these 14 financial centers exercise over the bank foreign assets in the regions in which they are located. (This article follows the classification procedure of the International Monetary Fund, from which these statistics are taken, and classified both the United States and Japan as industrial nations, rather than placing them in their respective regions). Table 2 shows that just two British-run offshore financial centers, Hongkong and Singapore, control 92% of the bank foreign assets of Asia (minus Japan); three British-influenced financial centers, Bahrain, United Arab Emirates, and Israel, control 61% of the bank foreign assets of the Middle East; and three Anglo-Dutch-owned offshore financial centers, the Bahamas, Cayman Islands, and the Netherlands Antilles, control 91% of the bank foreign assets of the Western Hemisphere (minus the United States).

These offshore financial centers are strategically located amid the Asian, Middle Eastern, and Ibero-American drug trades and money flows. Map 14 shows that the offshore centers are midway between the drug-producing region of Colombia, Peru, and Bolivia, and the largest consuming market, the United States.

Table 3 reports the dollar amount of all assets—not just banking assets—of the leading money-laundering centers. This consists of the assets of banks, trusts, mutual funds, captive insurance companies, and offshore shipping. In 1995, the total of all offshore financial center assets stood at $5 trillion, compared to $1.5 trillion at the end of 1989. This is a stupendous growth of $3.5 trillion in six years, or an asset build-up of $550 billion per year.

The biggest source of tax haven offshore financial assets consists of trusts, which, as of 1995, held approximately $2 trillion in assets. These trusts allow a money-launderer to transfer legal title of possessions to a holding company or some such instrument that provides anonymity, disguising who controls the possession. The areas in which these trusts are incorporated have little or no taxation, and little or no financial or corporate regulation; virtually any criminal, backed by a credit reference provided to him by a banker, can incorporate his dirty holdings into a trust.*

The popularity of such trusts is attested to

* Whereas in Table 2, the level for offshore bank foreign assets is $3.9 trillion, the level used for offshore bank foreign assets in Table 3 is approximately $1 trillion. It appears that the latter only uses net foreign assets, i.e., foreign assets minus foreign liabilities. Were the $3.9 trillion level employed in Table 3, then total foreign assets of all kinds would be closer to $7 trillion.

by the fact that the tiny British territory islands of Nevis and St. Kitts, with but 10,000 people, have 60,000 incorporated offshore companies, many of them offshore trusts.

In many cases, these trusts invest in offshore or onshore instruments, bringing a fairly high rate of return, many in the United States, Europe or, Asia. Thus, the money-launderer is able to preserve his ill-gotten gain and enlarge it.

Bringing the money onshore

A good portion of the money that is deposited offshore, is brought back onshore in the form of a loan, which is what a "bank foreign asset" is. The commercial real estate markets in New York, Hongkong, London, Paris, Frankfurt, and Moscow are perfect vehicles for such loans, since it is widely expected that the purchase of an expensive building will involve borrowed money. Worldwide stratospheric real estate prices, reflect the effect of drug money in these markets.

The point for the drug-money-launderer in buying and selling office buildings, is either to own the property, or to get the money onshore. Let us say that real estate investor A, who is part of the drug cartel, borrows $250 million of laundered money from a Canadian bank, to buy a commercial office building in Manhattan for $250 million. The building may have previously sold for $225 million, so the drug-tainted real estate investor dealer helps bid up the price. The investor holds the building for a certain period of time, and then sells it, perhaps for $260 million. He now has a $10 million profit, but, far more important, he has someone else's $260 million in clean money.

The real estate properties, like hotels on Boardwalk in the "Monopoly" game, are a means to an ulterior end. Purchasing real estate is so popular, that the bidding process, through the use of drug money, has helped to drive real estate prices upward.

A second way of getting the money onshore is to plow the money into the investment market. Many offshore investment trusts are vehicles to purchase stocks, bonds, etc.

This has an established criminal history. During the 1960s, money from the drug- and dirty-money trade was laundered through the Geneva-based, Rothschild-run Investors Overseas Services (IOS) of Bernie Cornfeld and Robert Vesco. Some of this money was the "skim money" from the gambling and drug operations of Meyer Lansky, the financial godfather of organized crime. By the early 1970s, the offshore infrastructure of IOS was brought onshore and folded into the Rothschild-Morgan-run Drexel Burnham Lambert. During the 1970s and 1980s, until its February 1990 bankruptcy, Drexel and its allies laundered hundreds of billions of dollars of drug money and other hot money, using it to take over and asset-strip American industry.

A good portion of corporate takeovers and stock market activity—foreign and domestic—takes place today with drug and criminal money, replicating the vehicle forms and practices of the IOS and Drexel, even though those two particular firms are defunct. Indeed, a survey of the major equity and bond markets of the world, particularly the highly touted "emerging market" stock and bond markets of the former communist bloc and the developing sector, would show a heavy use of drug and dirty money.

This is equally true of the $75 trillion worldwide derivatives market. Brian Bosworth-Davies, a London-based expert on money laundering, who used to investigate derivatives fraud for Britain's Scotland Yard, told *EIR* on March 1 that huge sums of drug money and other illicit funds are laundered through the derivatives market. He described one transaction used to launder money, which, he said, "we encountered so many times, it became monotonous." A money-launderer would set up two companies, one based, say, in the Channel Islands of Jersey and the other in Guernsey. The Jersey company would open a trading account with one commodity broker; the Guernsey company would open a trading account with another commodity broker. "The Jersey company would take a long position [betting the price would rise] in a futures contract, in, say, September soy beans. The Guernsey company would take a short position [betting the price would fall] for the same amount for the same contract."

Whichever company loses, pays for the lose-out of its laundered drug money pool. The winner takes its profits out of the market in clean dollars (the two commodity brokers are not trading with each other, but with the general market). On balance, the transaction is a wash: The money-launderer is not trying to make money on the deal, but to get dirty money into the market, and clean money out.

More dirty money is laundered through the derivatives market than through gambling casinos. This Bosworth-Davies stated, "On the derivatives markets, if you trade a small amount, say $10,000 or something like that, then you might be suspect. But trades of many millions of dollars—that's the norm."

The Salinas-Citibank case

The U.S. Justice Department and at least one grand jury are investigating Raúl Salinas de Gortari's movement of illicit funds through Citibank to hiding places overseas. While the ostensible target of the investigation is Salinas, it appears that Citibank is in the investigative sights as well.

EIR covered the case in depth in our issue of June 7, 1996 ("Money-Laundering Scandal Could Rock Citibank, Fed"). But an illustrative piece of the Citibank story proves conclusively the bankers' witting role in directing money laundering.

According to published reports, between 1989 and 1993, the person who moved at least $100 million of Raúl Salinas's illicit money—and perhaps much more—into bank accounts in Switzerland, London, and the Cayman Islands, using false names, was Amelia Grovas Elliot, the head of the Mexico team of Citibank's Private Bank ($80 billion in assets). Elliot was Salinas's personal banker. She had headed the Mexico team since 1983, and is a 27-year veteran of Citicorp.

At a May 12, 1994 drug trial, Elliot testified as a star prosecution witness, on how a supposedly "clean" bank, Citibank, then America's largest bank, administers banking operations in Mexico. During her testimony, Elliot asserted that she does not act alone at Citibank, and defined a chain of command. She described how Citibank's Private Bank accepts customers who usually have a starting net worth of $5 million, and that the Citibank private banker "knows you [the customer], knows who you are, knows your family . . . recognize[s] your voice." Elliot was then asked to describe the long vetting process, including approval from higher-ups, that Citibank engages in, before it accepts a large deposit from a customer. This is the "know your client" policy. In response to a question about this, Elliot stated:

"The 'know your client,' at least in our bank, is part of the culture. It's part of the way you do things. It's part of the way you conduct yourself. If you come in with a prospect and/or name of a prospect, you will be sure to be asked, 'Who is this person, what do they do, who introduced them to you?' *by at least three or four people higher than you are.* It's just the way it is" (emphasis added).

A Citibank spokesman told *EIR* on May 10 who the "three or four higher people" in Citibank's chain of command would be, who would have to approve Elliot's decision to move Raúl Salinas's tens of millions of dollars around the world. These would include Citibank Chairman John Reed. Further, during part of the time that Citibank was laundering Salinas's money, Citibank, which had blown out in 1991, was under effective Federal Reserve Baord receivership, and was

being held up by a Fed life support system. Fed supervisors were all over Citibank. Top echelons of the U.S. Federal Reserve Board, including potentially up to Chairman Alan Greenspan, would have seen the paperwork trail of the Salinas money, under whatever name it was being moved.

The Salinas-Citibank-Fed case illustrates the shortcomings in the current fight against money laundering. The basic U.S. anti-money-laundering approach suffers from two glaring flaws:

First, there are numerous loopholes. Just take the CTR reporting requirement. This is waived 1) for all wire transfers; 2) for all cash deposits of $10,000 or more made by businesses whose stock is publicly traded on any American stock exchange; and 3) for Citibank Private Bank customers, with net worths of $5 million or more, such as Raúl Salinas. By simply qualifying to be a preferred client of Citibank's Private Bank (or any other bank's preferred client club), a bank customer can escape such scrutiny, if his banker applies for an exemption because the customer in question is so "valued."

The second flaw is methodological. Money laundering thrives because the entire banking system, under British control, is hooked on $1.1 trillion in annual drug and criminal money flows; it depends on this for its very survival.

To succeed in the fight against money laundering, start at the top. Go after the John Reeds, Alan Greenspans, and the controlling layers of the Anglo-Dutch-Swiss financier oligarchy, and the British Commonwealth political establishment, who run drug- and criminal-money-laundering as a worldwide integrated enterprise and one of the most profitable businesses on earth.

The chairmen and board members of the financial institutions that launder money, have never gone to jail in any major drug-money-laundering case in the last 30 years. They always claim, ingenuously, "I didn't know this was going on at my bank." In most cases, they never even have to set foot in a courtroom.

Put some of these top bankers and the British financier oligarchy in jail for 30 years. Watch the drug-money-laundering trade start to shrivel; watch the drug-trafficking trade collapse.

The drug-laundering haven of the Bahamas

The 300-year criminal history of the Bahamas unites all the different strands of money laundering and the drug trade, revealing how the British orchestrate that trade. Its story could be repeated for each of the other exotic offshore British financial centers.

In 1973, the Bahamas was granted nominal independence. But even though the country elects a prime minister, Queen Elizabeth II is the head of state of the islands, and the Queen's Privy Council's "say so" is final in all legal matters. The population is impoverished, while banking and tourism constitute a huge portion of the Bahamas' fragile economy.

The Bahamas has a dual function: It is both a drop spot and transshipment point for drugs, and a drug-money-laundering center. The Bahamas is an archipelago of 700 islands, of which the closest is 50 miles away from Florida.

Since only 40 of the 700 islands are populated, the others make perfect drop points for drugs. During the 1980s, according to U.S. Drug Enforcement Administration reports, up to 75% of the drugs that reached the United States from Ibero-America went through the Bahamas first. American authorities, fearful of the drug flow into the United States, forced the Bahamas to take measures to cut back the drug flow. The June 7, 1996 London *Financial Times* reported, "It is guessed that no more than 10-15% of illegal drugs shipments to the U.S. now go through the islands." That may be an underestimation, and the *Financial Times* admits that the drug flow is increasing, now that U.S. radars to monitor drug trafficking were recently taken down in Grand Bahamas, Exuma, and Great Inagua, in a cost-saving measure.

This is part of the Bahamas' historic profile. During the American Revolutionary War (1775-83) and the War of 1812, when Britain invaded America, the British used their colony of the Bahamas as a base for naval assaults on the United States. Because of this, in 1776, the American revolutionaries occupied the Bahamas. After the Revolutionary War, Tory sympathizers fled to the Bahamas, and became part of the establishment. During the British-backed Confederate uprising of the American Civil War, the British used the Bahamas as a base to run ships through the North's shipping blockade against the South. A successful blockade-running voyage could earn $300,000.

During World War II, the pro-Nazi Duke of Windsor was exiled to the Bahamas, but was placed in the very important post of Bahamian governor general. During this time, the duke used Axel Wennergren, the Swedish eugenicist and Nazi agent, to launder money to Mexico. During the 1960s, organized crime godfather Meyer Lansky built the Resorts International casino on Paradise Island in the Bahamas, which served as an international money-laundering center.

The money-laundering Canadian banks dominate the Bahamian banking scene, hiding behind Bahamian bank secrecy and lax Canadian banking laws to shelter drug money. In the Dec. 24, 1985 *Montreal Gazette*, in an article entitled, "How Canadian Banks Are Used to 'Launder' Narcotics Millions," William Marsden wrote that drug money is "hauled to Canadian banks [in Nassau, Bahamas] in huge stacks of small bills—sometimes millions of dollars at once—stuffed into suitcases, duffle bags, paper bags and boxes by narcotics smugglers. . . .

"Trusted drivers and security guards ensure that their cash gets into the banks safely. And once the money is deposited, laws that forbid Bahamian bankers to disclose bank records ensure that it's safe from investigation by foreign narcotics and tax agents. . . .

"Canadian banks, which handle 80% of banking business in the Bahamas, have become key instruments in 'laundering' illicit money—giving it a clean history—for smugglers hiding hundreds of millions of dollars from U.S. and Canadian narcotics agents.

"By taking these huge cash deposits, which is not illegal, the Canadian banks are facilitating criminal activity. . . .

"In the past four years, Bank of Nova Scotia twice stonewalled U.S. investigations by refusing to hand over bank records of drug smugglers to a [U.S.] grand jury. The bank finally yielded after paying nearly $2 million in fines."

Under U.S. pressure, the Bahamian banking system has made changes in its money acceptance practices, but during the past decade, the volume of laundered drug money has gone up.—*Richard Freeman*

Dope, Inc.'s newest 'growth market'

by Linda de Hoyos

There are no official figures showing the extent of narcotics cultivation and production in the countries that formerly composed the Union of Soviet Socialist Republics and its Warsaw Pact allies. However, there is no doubt that since 1989 and the fall of the Berlin Wall, Dope, Inc. has vastly increased its production capacities and consumption market in these countries. The flooding of these countries with easy drugs, the mushrooming of "criminal gangs" and mafias, the jump in drug-related crime, and seizures of tons of narcotics, with a street value in the billions, in a single year, paint the picture.

Dope, Inc. has waged a new opium war against the Newly Independent States (NIS) and Russia, comparable to the first opium wars against China. It would be mistaken, however, to attribute the near takeover of eastern European, Russian, and Central Asian economies by Dope, Inc., and its higher-level controllers, to the fall of communism. The floodgates were opened by British Prime Minister Margaret Thatcher and U.S. President George Bush. The International Monetary Fund supplied the economic "gunboats" that forced open the former Soviet economy to the drug trade. While putting the populations into penury, the International Monetary Fund's (IMF) free-trade regimen, imposed on Russia, gave Dope, Inc. and its local offspring a field-day.

The process is similar to that which has taken place in Nigeria. The emergence of Nigerians in the international drug circuit as couriers, and of Nigeria as a transshipment point for drugs, coincides precisely with the imposition in 1986 on Nigeria of an IMF "structural adjustment program" that reduced Nigerians' per capita living standard by 75% in eight years!

Tons of it

According to the U.S. State Department's *International Narcotics Control Strategy Report* of March 1996, law enforcement authorities in Russia seized more than *90 tons* of illicit drugs in the single year of 1995! As an overpopulation of vermin forces significant of their numbers out into the daylight, so the superabundance of drugs in the Russian economy has netted seizures of huge amounts of drugs. Giving an idea of Dope, Inc.'s expansion, the amount of drugs confiscated has tripled in the last three years. Seizures in other NIS countries point to the same phenemomen:

- In Georgia, 2.5 tons of marijuana were seized in 1995, and 12,000 poppy plants.
- In Kyrgyzstan, 1 ton of opium was seized in 1995.
- In Armenia, 17 tons of cannabis and opium were destroyed in 1995.
- Moldovan authorities say they confiscated 2 tons of illegal narcotics last year.
- In Ukraine, more than 23 tons of illegal narcotics were seized in the first six months of 1995 alone. In 1994, police grabbed one haul of 3.5 tons of narcotics at the Russia-Ukraine border, as Ukraine has not only become a major transshipment point for Golden Crescent drugs into Europe, but also a drug producer itself.
- In Uzbekistan, in 1994, two major shipments of marijuana, each weighing in at 15 tons, were interdicted. The shipments were on their way to Turkey and the Netherlands, from their origin in Afghanistan and Pakistan.

The seizures are the tip of the iceberg of the actual dope flow through the NIS. This flow includes 1) the domestic distribution of narcotics grown there or synthetic drugs produced there; 2) the flow of domestically grown narcotics out of the NIS states to other points—notably western Europe and the United States; and 3) the opening up of Russia, Central Asia, and eastern Europe as a major drug transshipment nexus.

Britain's opium war on Russia may ultimately have the same annihilating effect on the population as London's opium war against China in the nineteenth century.

Although, officially, the figure for drug users in Russia is 1-1.5 million, as early as May 1992, the newspaper *Nezavisimaya Gazeta* reported on an explosion of drug addiction: "According to the latest expert estimates, 5.5 to 7.5 million people regularly use narcotics in the territory of the former U.S.S.R. At the beginning of 1991, this figure was only 1.5 million. Specialists believe that the process of headlong narcoticization of the country will continue for the next five to seven years." The International Association for Combatting Drug Addiction and the Narcotics Trade estimates that there are 6 million drug addicts in Russia—4% of the population—and that 20 million have tried drugs at least once. They expect the number to double within the next four years. Official Russian reports state that drug consumption has been increasing at a rate of 50% per year, since 1989.

The streets are virtually flooded with the stuff, in the same way as the inner-city ghetto residents of the United States suddenly found their streets awash with heroin in the late 1950s. *Nezavisimaya Gazeta* further reported that, "while, earlier, a 'new' drug would appear on the Soviet 'market' every five to ten years, in the capital alone," during the first three months of 1992, "three new powerful stimulants had arrived," including cocaine from South America, which has become the drug of "fashion" among Russia's youth elites.

It is noteworthy that the Russian Ministry of Internal Affairs, which had a figure of 1.5 million regular drug users in 1993, estimated that 70% of those users were under 30 years of age, and 8.5% of those users were under-age children. Drug addiction is especially strong in the cities and industrial centers.

The skyrocketing of drug use in Russia is matched by that in other countries, particularly eastern Europe. The Bratislava-West Slovakian region of the Slovak Republic, for instance, reported a more than tenfold increase of heroin addicts referred for treatment from 1992 to 1994, according to the State Department report. Whatever the officially reported figure, it is generally acknowledged that the actual number of regular drug users is ten times the official count, and all sources agree on growth rates of addiction in the range of 33-50% per year.

Drug-related crimes are increasing at even greater rates: According to the wire service Novosti on Nov. 20, 1994, the Russian Internal Affairs Ministry reported that drug-related crime had risen 60% in the first nine months of 1994, over 1993.

In Russia, the newspaper *Vecherny Petersburg* claims for that city the title of the

MAP 15

Narcotics-trafficking routes: Russia and Central Asia

Sources: NNICC; DEA; UN; *EIR*.

The former Soviet Union is Dope Inc.'s most promising growth market. Narcotics consumption rates are rapidly climbing. Cheap domestic marijuana, synthetic drugs, and opium derivates, are available for export to the West.

1. The **Central Asian republics** are being taken over by the Golden Crescent narco-economy, and are now used for both narcotics production and transshipment.
2. The **Baltic ports** are used to smuggle narcotics from Central Asia, and raw materials from throughout Russia.
3. The **Balkan route** is used to smuggle everything from cigarettes to narcotics and weapons.
4. The **Cyprus** banking system is central to Russian capital flight, the laundering of narco-dollars, the use of these narco-dollars to buy Russian privatized assets, and the looting of Russia's raw materials.
5. The **City of London** and the **London Metal Exchange** are the centers for the looting of Russia's raw materials, and the use of the commodities trade for narcotics money-laundering.

"northern capital of the drug trade," since, as stated in an article on April 1, 1994, "its location is convenient for the transit of drugs from Asia to Scandinavian countries and the Baltic states."

The city's function in Dope, Inc., has taken its toll on the city's populace. The August 1995 *Zakonnost* carried an article by A. Stukanov, head of the Criminal Forensics Directorate, stating that "the total number of enterprises involved in narcotics distribution in St. Petersburg almost doubled in 1994. More than 1,000 criminals were sentenced, 75% of them for illegal manufacture, acquisition, or possession of narcotics with intent to sell. . . . Among the people convicted in 1994 of the production, sale, and theft of drugs, and establishment of drug haunts . . . 84% are criminals under age 30."

The Eastern nexus

Since at least 1992, the criminal gangs in Russia have been operating in cooperation with the international cartel operators, represented, for instance, by the Cali Cartel. In 1992, Cali Cartel mobsters came to Russia to meet with their criminal counterparts. Business started immediately, rising to such levels that in 1993, in St. Petersburg, police seized 1 ton of cocaine originating in Colombia. According to an official of the Russian Ministry of Internal Affairs, the shipment had come from South America to Finland by sea, and then was taken to St. Petersburg by road, where it was seized. The cocaine was hidden in tins labelled as containing meat for Russian consumers. There were 20 tons of cans altogether.

Officials of the Russian Ministry of Internal Affairs and their western counterparts tend to emphasize that the dope trade in Russia, eastern Europe, and Central Asia is run by criminal gangs, most of which are organized along ethnic divides. The widely publicized role of the Chechen criminal clans, and of the Chechen Republic as a processing and transshipment zone in Russia, is a case in point.

But this picture of the dope trade as run by a bunch of individual criminal gangs, is the same as saying that a train is nothing a but a bunch of boxcars. What makes a train a train, are the *linkages between* the boxcars—and the engine. Although each criminal gang may be organized internally along ethnic lines, these gangs are in constant contact with each other, passing and receiving huge shipments of drugs being passed from third parties, often located continents away.

The total picture of the drug-smuggling routes into Russia from Central Asia and the Golden Crescent, back out through Russia into eastern and western Europe, and the flow of drugs from the Western Hemisphere into and then out of Russia and eastern Europe, shows a fully integrated trade, using any criminal gang as the feet on the street. There is one international drug cartel directing the overall flow, market delivery, and price. Its engine is the biggest profiteers of Dope, Inc., the money-launderers and the controlling banks that are raking in the money.

The St. Petersburg bust is but one case exposing the cross-directionality of the drug flows, into eastern Europe and Russia, for transshipment back out to western Europe. The newly independent Baltic states are playing a key role in this routing. One cocaine route travels through Lithuania, according to the State Department report. Cocaine is smuggled from Germany through Lithuania to Russia; the cocaine also flows in the opposite direction. Cocaine is also being smuggled into eastern Europe via airports in Bulgaria, the Bulgarian criminal gangs being more directly allied to the Italian Mafias, which in turn, cooperate fully with the South American cartels. The Czech Republic has also become a depot for transport of cocaine into western Europe.

The Baltic states are also being used for transshipment into western Europe from as far away as the Golden Triangle. Estonian drug couriers have been arrested in Thailand. Opium and hashish cargoes are often transferred to Estonian ships bound for western Europe, especially Scandinavia.

Poland: Dope, Inc. depot

Poland is the "Grand Central Station" for drug flows, reports of the U.S. Drug Enforcement Administration (DEA) show. Marijuana and cocaine come in to Poland from the Baltic Sea from the Western Hemisphere and Africa bound for points east and west. Heroin and marijuana also come into Poland from the eastern border with Ukraine, where it is transported to western Europe. The amount of drugs flowing through the country is so dense that in May 1993, Polish Customs officers seized 4.4 metric tons of hashish. In November 1993, a 2.5 metric-ton shipment of hashish was intercepted; its point of origin was Afghanistan. An additional 2.5 tons of the same shipment had been seized in Belarus. In December 1993, Polish Customs seized half a ton of marijuana that had arrived on a KLM (Dutch airlines) flight from Lagos, Nigeria. On April 18, 1995, 2.1 metric tons of marijuana were seized from a container which had been transported on the Danish ship *Maersk Euroquinto*. Reportedly, the container had been loaded in Rotterdam in a legitimate shipment of ginger. The marijuana shipment was intended for transshipment through Poland to western Europe.

Heroin is also being moved on the roads. Polish police authorities, according to the DEA, say that Nigerians, Turks, Indians, and Pakistanis recruit Polish couriers to transport heroin from the Golden Crescent and Golden Triangle to points west.

Lastly, Poland is itself a major producer of amphetamines for consumption in in western Europe. According to the DEA, Poland ranks second only to the Netherlands in the illicit production of amphetamines for the overall European drug market. But this is not necessarily a rivalry, but cooperation—Swedish authorities have determined that most of the amphetamines consumed in that country are produced in the Netherlands, and smuggled into Sweden through Poland (see article, p. 6).

Poland assumed its key role as the stationhouse for European drug routes after the launching of the Balkan war. Its services to Dope, Inc. have not left the Polish people unscathed. Officially, there are 40,000 drug addicts in Poland. One-third of its intravenous drug addicts are HIV-positive. But Poles don't consume the high-priced drugs arriving in their ports and airports. Most addicts consume processed poppy seeds with a high opium content, grown in Poland's own illicit poppy fields, but considered of too poor quality for export. In 1993, police located 4,000 illegal poppy fields in Poland. Commensurate with Poland's rise in the drug world, is its crime rate, which has nearly doubled yearly in the 1990s.

Ukraine: the Dope, Inc. grip

Another country caught in the drug cross fire is Ukraine, once the breadbasket of eastern Europe and the Soviet Union. In only the first six months of 1995, Ukrainian authorities seized 23 tons of illicit drugs, including hashish, opium poppy straw, and amphetamines. Ukraine is also a critical transshipment point for chemicals, such as acetic anhydride, which is produced in large quantities in Russia, for use in opium refining to produce heroin in the Golden Crescent.

As early as 1993, leaders in Ukraine were sounding the alarm on the Dope, Inc. takeover of their country. The New Jersey-based *Ukrainian Weekly* reported in May 1993 that the Ukrainian Security Service had called a special meeting of regional administrators to draw up plans on how to thwart the criminal takeover of the economy.

The *Weekly*'s correspondent Dmytro Filipchenko reported: "Profiting from the after-effects of the collapse of the U.S.S.R., various gaps in the existing legislation and enforcement, and a lack of regulation of economic relations between the enterprises and the state, criminal elements have created so-called 'support groups' in the higher echelons of authority in Ukraine. They have also forged strong links with international organized crime groups, and diversified their activities—primarily in banking and trade." On the last point, it was reported by the newspaper *Kiev Pravda* in August 1993, that drug dealers from Russia, the United States, and Ukraine had held a grand council in Zurich, Switzerland, to set goals for drug expansion in eastern Europe.

The *Ukrainian Weekly* article listed the methods to be used: "The principal goals of the Ukrainian mafia today are perceived to be: to obtain illegal easements in export trade; to illegally obtain raw materials; to use foreign investments to fund criminal activities (such as narcotics, production and traffic, and the sale of nuclear materials); and to embezzle humanitarian aid arriving to Ukraine from abroad.

"As a result, organized crime in Ukraine is struggling *to achieve control over the entire import and export system of the country"* (emphasis added).

As always, Dope, Inc. in Ukraine is feeding on the destruction of young minds. According to the Ministry of Internal Affairs, the spread of drug consumption there has been "alarming." The cause is not only poverty and economic crisis, but, said a ministry official, "superabundance."

"Every year," *Kiev Pravda* reported in July 1993, "more than 6,000 drug addicts are registered in Ukraine, of which more than 40% are minors. More than 90% of all addicts are under 30 years of age. Half of them become addicted as teenagers."

Czech Republic: Shangri-la

To the Czech Republic, Dope, Inc. has given the special role as the "Nepal" of eastern and western Europe—a Dope, Inc. tourist trap. The government signed on, when it passed legislation which permits personal possession of drugs. Simultaneously, drug prices dropped. The combination has made the Czech Republic a drug attraction for tourists from western Europe, especially Austria and Germany, where cocaine and heroin sell for three times their price in the streets of Prague.

The Czech Republic also functions as a launching pad toward the East for the Italian Mafia groups, such as the Neapolitan Camorra and the Sicilian Mafia. Drugs go the other way also: Kosova Albanians, Russians, Turks, and local Czechs move large cargos of heroin from the Golden Crescent to western European markets. South American traffickers are also finding safe passage through the Czech Republic. One ephredine-smuggling route from Mexico has been discovered, and cocaine is now arriving in Czech airports, along with the drug tourists.

The Central Asia bonanza

While the western mafias are walking in the front door opened by the Thatcher-Bush imposition of free-trade globalization on Russia and eastern Europe, by far the biggest flow of drugs coming into and through Russia and eastern Europe, comes in through the back door, from Central Asia and the Golden Crescent of Afghanistan and Pakistan. As the agency Novosti described it in August 1994: "With the collapse of the U.S.S.R., opium from Afghanistan, Pakistan, and Iran started flooding into the NIS states. And though border guards and customs officers are doing their utmost, the major part of these lethal powders still seeps through the cordons. The new so-called Silk Road is very convenient for smugglers. It has replaced the former mainline into Europe, through Turkey and Bulgaria, which has become far more dangerous because of the political situation in the Balkans."

Hence, even before the opening of Russia and Central Asia to real economic development and trade along rail corridors organized as a new Silk Road spanning from Beijing to Paris, as proposed by American Presidential candidate Lyndon LaRouche, the Thatcher-Bush policies have produced a *drug* Silk Road (**Map 15**).

Evidence suggests, furthermore, that one of the major facilitators of this "Drug Road" is the Russian Army. According to some reports, up to 40% of the Russian and allied soldiers who fought in the Afghanistan War became addicted to drugs. As one official of the Russian Ministry of Internal Affairs admitted in a press conference in 1994, in answer to a question on this point, "Yes, there is some form of cooperation [between servicemen and the drug traffickers]. It's true that the drugs fall into the hands of the servicemen. We carried out a number of operations . . . to check army units deployed in and outside Moscow. A number of cases were revealed in which drugs were trafficked to and fro from the barracks." And in cities such as Dushanbe, Tajikistan, sources report that Russian soldiers frequent the finest restaurants in the city—flush with funds from the drug trade.

The Golden Crescent of Pakistan and Afghanistan was launched with the Afghanistan war (see article, p. 25). This is the major source of heroin and opium going into the NIS countries.

The price of the heroin goes up every time it changes hands along the route, reported Anatoly Baranov in the Russian daily *Pravda* of Sept. 21, 1994, and has become the most lucrative form of business. "Tajiks have very little money. . . . Even when there is paper money, the Tajiks have nowhere to earn it—all industry is standing idle, agriculture is extremely unprofitable and inadequate, and trade is utterly disorganized." The expanded drug trade, coming in from Afghanistan, says Baranov, is flourishing as a result. In Tajikistan, drugs are called "modeling clay," and a kilogram of it in neighboring Afghanistan costs 80,000 rubles, or about $35-40. "When it crosses the Pyandzh in a smuggler's bag, it increases in price approximately tenfold, and in the border regions of Pamir is valued at 800,000 rubles [$35-40,000]." In Dushanbe, it is worth 2.5 million rubles, and in Moscow 10 million rubles.

Baranov reports that Afghanistan accepts anything in payment for the heroin—"hardware, ammunition, flour, military matériel, gasoline, and diesel fuel." He further claims that the Russian Army rear services directorate rides shotgun on food and fuel being sent into Afghanistan, in exchange for the drugs.

In addition to carrying heroin from points southwest, the newly independent countries of Central Asia, which have traditionally grown quantities of opium for local consumption, have now emerged as significant producers in their own right, placing these countries, which were already the poorest sections of the U.S.S.R., under the mercy of Dope, Inc. As Novosti reported in 1995, "Under conditions of war, it is difficult to cultivate agricultural land. Harvests suffer. But the planting of opium, for example, does not require any special conditions, and the profits are incomparably higher than for any of the products of normal agriculture. . . . For example, 1 hectare of a fruit-tree farm yielded in 1991, 15-20,000 rubles, but opium (5 kilos of raw opium) yielded 2.5 million rubles."

- In Tajikistan, drugs are cultivated in the Pamir region in the east of the country, called Badakhshan, whose population are mostly followers of the Ismaili Prince Karim Agha Khan. Sources report to *EIR* that once a traveler steps out of the capital of Dushanbe, he sees poppy fields everywhere in the country-

side. Opium grown in Tajikistan is shipped north to Osh, a largely Uzbek city within Kyrgyzstan on the Uzbek border.

• In Uzbekistan, opium poppy and hashish are cultivated in the mountainous regions of Uzbek, particularly in the regions of Samarkand and Syrhandarya, reports the State Department. But Uzbekistan's use to Dope, Inc. is mostly as a brokering center and transshipment point for drug operations.

• In Turkmenistan, opium has traditionally been produced for local consumption. Most opium poppy is grown on the Iranian border in the Akhal Velayat, which contains Ashgabat, and in the eastern regions of Lebap and Mary. As the State Department explains it, "Opium is *bartered by the local producers for scarce commodities like bread and fuel*" (emphasis added).

• Kyrgyzstan is a traditional opium producer, and after the Soviet Union banned its cultivation in 1973, illicit cultivation, mostly in remote mountainous regions, continued. In 1995, authorities seized 1 ton of indigenous opium. Cannabis is also produced here.

• In Kazakhstan, police seized 6 tons of illegal narcotics in 1995. Marijuana is the most important drug crop, but ephedrine and opium production is on the rise. Most of this production occurs in the vast Chu Valley, which also spans part of the territory of Kyrgyzstan and Uzbekistan. According to some reports, there are some 40,000 hectares of opium fields in the Chu Valley, and 4.5 million hectares of hemp (marijuana). Ephedra plants, from which ephedrine is derived, grow wild in the Taldy-Korgan and Dzhambyule regions, with 2,000 tons harvested in a single summer.

Novosti further reported in 1995 that Russia itself is not immune from the narcotics cash-cropping. "In Russia, 1.5 million hectares of wild-growing hemp are registered. One hectare yields approximately one ton of narcotics material annually. Narcotics plants (hemp, poppy, oil-poppy) flourish in southern Russia, in the non-Black Earth territory, in the Far East, in Tuva, the Caucasus, Buryatia, Siberia, and other regions. *The annual growth of narcotics cultivation is 10-15%*" (emphasis added).

Perhaps nothing better illustrates the Dope, Inc. degradation of the Russian economy, than the way in which Russia, Poland, and other former Soviet satellites have become leading producers of amphetamines. Underground synthetic drug laboratories have become the major employers for thousands of chemists, thrown on the scrapheap by the Thatcher-Bush free-trade regimen, left to try to survive on $20 a month.

The Dope, Inc. invasion of the Russian economy

by Roger Moore

In November 1991, at a conference of the Schiller Institute, only three months after the breakup of the Soviet Union, *EIR* editor Dennis Small presented to an audience of 400 people a documented picture on the disaster that the application of neo-liberal "free trade" dogma, especially its "shock therapy" form, has brought to the countries of Ibero-America. Small warned the audience of representatives of 36 countries, including from eastern Europe and almost all the newly independent states (NIS), that if they accepted the "reform" policy being pushed from the West by such Harvard yuppies as Jeffrey Sachs, "this is what will happen to you." Small cited the case of Bolivia, where Sachs admits that the tin- and oil-sector workers, laid off as a result of his reforms, had gone to work for the coca growers. Now, in early 1996, we read about laid-off fish cannery workers in the Soviet Far East growing marijuana and bartering it for food.

Not only have the populations of Russia and the NIS been reduced to desperate impoverishment, forcing them onto the payrolls of Dope, Inc., as foot soldiers. It is under the financial framework of the shock therapy imposed on Russia and the NIS countries by British Prime Minister Margaret Thatcher and U.S. President George Bush, that the filthy lucre produced by the criminalization of these economies reaches its ultimate destination: the coffers of Dope, Inc., primarily in the West. Thanks to Thatcher and Bush, Russia traded in communism for the British Empire's dope-driven black economy—offshore financial centers, metals speculators, money launderers, crime networks, and drug traffickers.

Meanwhile, in the last six years, Russian industry has been shrunken to 40% of its previous levels. Russian flight capital, on the order of $300 billion, is locked into the global financial system's speculative nooks and crannies, and a vast black economy of smuggling and crime in Russia runs the scale from hard-core criminals to members of the *Nomenklatura* with Swiss bank accounts. But, as much as Russians are accountable for their own country's fate, the logistics for this criminal revolution came from the West, and the Russians who joined whole hog, were often already active in the East-West weapons-for-drugs economy, where the borders between the Warsaw Pact and NATO were faded.

Within Russia, all experts admit that the institutional chaos, associated with the shock therapy reforms, has led to uncontrolled borders, unregulated banking, unbridled smuggling, underpaid police facing mafias flush with dollars, and a collapsing health care system for addicts. How did this Dope, Inc. takeover of the Russian economy happen?

Bust the ruble

A crucial step in the looting of Russ[illegible] was the destruction of the Russian rub[illegible] This plan went into high gear in January 1992, with the Gaidar reforms. Prices were decontrolled, inflation soared to rates of 2,000% per year, and dollarization of the Russian economy began. By December 1992, the ruble had crashed from 1.81 to the dollar in 1991, to 500 rubles to the dollar. By December 1993, it was 1,250 to the dollar, and by December 1994, it was 3,306 to the dollar. "Doing business" in the ruble became a losing proposition, with the result that transactions generating hard currency became the name of the game. Anything that could get a price in Western markets was bought, stolen, or swindled out of the domestic economy and shipped out.

The street mafias, an outgrowth of black marketeering under the Soviet system, became institutionalized, under International Monetary Fund (IMF) reforms, when Gorbachov privatized much of the retail sales infrastructure in the Soviet Union. These so-called cooperatives were picked up by regional *Nomenklatura* figures and their appended assortment of criminal contacts. According to Yuri Dashko of Moscow's Academy for Economic Security, this was a conscious policy to "integrate the shad[illegible] economy into legal areas."

The flood of Western consumer products, increasingly out of the reach of the impoverished average Russian, poured in through

the cooperatives, whose clients were the *nouveaux riches*—as the domestic consumer industry shrank. Import-export firms, linked to Western suppliers and staffed by former KGB agents and others, sat on top of the street mafias, and raked in the profits.

Today, estimates of Russian flight capital abroad go up to $300 billion. The October 1995 report of the Swiss Federal police, *Status Report East Money*, estimates that 40-50% of Russia's Gross Domestic Product is in the "shadow economy," and that large sums of Russian criminal money have landed in Swiss banks. In Switzerland, "international trade deals, particularly raw materials, are financially arranged, which never appear in the statistics," it notes.

Simultaneously, Russia was dollarized, reaching such levels that in 1994 and 1995, the New York Federal Reserve sold on a seignorage basis, close to $40 billion newly minted U.S. notes, primarily $100 bills, to the New York-based Republic National Bank of Edmond Safra. Safra had bought them for a select group of Moscow-based banks and their customers, and the dollars were literally flown to Russia.

ıter Marc Rich

Another step in Dope, Inc.'s takeover was to entice members of the Russian and Soviet *Nomenklatura* into get-rich-quick sell-offs of raw material wealth to the "global markets." Russia was sold a poisonous stew of Physiocratic doctrine, the "Bounty of Nature," and Adam Smith free-trade doctrines, that provided the basis for Russian shock therapy czars Yegor Gaidar and Anatoli Chubais, who took office in President Yeltsin's first government in late 1991, and began implementing the reforms in 1992.

After the Fall 1991 breakup of the Soviet Union, and the subsequent chaos in trade and ruble transfer payments among the new republics, Western raw material trading pirates such as Marc Rich, based in Zug, Switzerland, offered their extensive Russian contacts quick access to world market prices for Russian oil, aluminum, gold, and other products normally consumed domestically.

In his heyday, Rich, now a fugitive wanted in the United States, controlled one of the world's biggest commodity trading firms. By the early 1990s, Rich had a large Moscow office, set up by his London partner Felix Posen. From this office was begun raw materials looting of Russia, which ed into an avalanche of smuggling. The Oct. 24, 1992 issue of the London *Economist* put it bluntly: Russia should shut down its raw-materials-consuming industries and instead ship everything out to Western markets. George Soros, speculator and pro-drug legalizer, boosted this plan.

Prior to his 1984 conviction in a U.S. court on charges of tax fraud, Rich had been a partner with oilman Marvin Davis in Twentieth Century Fox, with Henry Kissinger on the board. Rich was the perfect pied piper, having been the official Western representative for Soviet metals trading in the 1980s, and the architect of the illegal flow of Soviet oil to South Africa, in violation of international sanctions. He was also up to his eyeballs in the 1980s in the triangular trade in weapons, oil, and drugs around the Afghan and Iran-Iraq wars, and George Bush's Iran-Contra drug caper.

Rich was then in a perfect position, in the early 1990s, to set up massive legal and illegal exports of oil and other commodities out of Russia, as well as facilitating the offshore money-laundering channels so that this money stayed abroad.

After the 1991 collapse of trade among the former republics, Rich's contact base was the only network capable of putting together inter-republic trade deals. According to Vsevolod Generalov of the Russian State Committee for Metallurgy, in an April 1, 1996 London *Metals Bulletin* interview, "These companies were only interested in today's profit or 'hit and run' operations. There was a lot of speculation and illegal financial activity."

By 1992, according to the head of Rich's Moscow office, Daniel Posen, Rich and company were doing $2.5 billion in "natural resources" trading with the former Soviet Union. In 1992, Rich's Moscow contact, Russia's "commodities kingpin" Artyom Tarasov, head of the foreign trade ISTOK association, came under pressure and skidaddled off to London with a bundle of money. According to a 1992 *Izvestia* article, in December 1991, Rich was the main beneficiary of a top-down decision assigning substantial hydrocarbon supplies for export. The *Wall Street Journal* in 1993 estimated Rich's trade with the former Soviet Union at $3 billion, "about a tenth of his worldwide business."

Rich has never been shy in bridging the gap between the masters of British geopolitics and the sleazy underworld of the black economy. In Tajikistan, the drug crossroads of Central Asia, Rich's New York agent, Rabbi Ronald Greenwald, has been in charge of putting together aluminum trade convoys, protected by private armies drawn from the area's armed clans, many of which also traffic in heroin.

Since the late 1970s, Greenwald had worked with another Rich-connected operative, Shabtai Kalmanowitch, a KGB agent laundered into the organized-crime faction of Israeli intelligence. Kalmanowitch was adviser to Chief Mangope, head of South Africa's Bophuthatswana bantustan. "Bop," as the bantustan was dubbed, is known for its casino gambling and for being one of the world's biggest producers of platinum.

Arrested by the Israelis in 1988, Kalmanowitch was freed to return to Russia in 1993, where he took up business with the mafia-connected Duma member Josef Kobzon. Today, the Liat-Natalie firm founded by Kalmanowitch and Kobzon is involved in some of the biggest real estate and construction ventures in Moscow. According to sources, Kobzon hosts Rich whenever the latter visits Moscow. Kobzon and his network had been the focus of 1993 German police intelligence leaks exposing the stay-behind crime networks being built up around the Russian Western Group of Forces still stationed in Germany.

This network encompassed criminal cells, largely operating through import-export companies, that went from Moscow, to Berlin and Antwerp, a center for cutting of Russian diamonds; to Israel and Brighton Beach in Brooklyn, New York, where the Russian emigré mafia had perfected fuel tax frauds running into the billions. Israeli Police intelligence official Leber stated in the Oct. 2, 1995 *Newsweek*, that figures in this network, Boris Nayfield and Rachmiel Brandwain, are handling a heroin and cocaine business stretching from Ibero-America to Europe and Israel. According to a Russian weekly, Kobzon is friends with "thief-in-law" "Yaponchik" Ivankov, who was arrested by the FBI in June 1995 in New York City.

Enter Philip Morris and Transworld Metals

The import flood into Russia is small change, compared to the raw materials outflow to the West. Here, the volumes of wealth require offshore banking skills, metals market insiders, secure numbered bank accounts in the West, and protected opportunities for investing the proceeds outside Russia. The unique relationship between a small, London-based metals trading firm, Transworld Metals, the Russian aluminum industry, and Philip Morris, Inc., shows just how close Dope, Inc. has come to succeeding in its conquest of Russia.

The Anglo-Dutch families, grouped into the Club of the Isles, control the bulk of global raw materials production, as a cartel. The only significant area of the world not in their

control is the extensive reserves and production capabilities in the former Soviet Union. The London Metals Exchange (LME), with the associated commodities trading houses grouped around it, like Rich and Transworld Metals, is the center for global metals trading. LME-connected metals traders operate like modern-day pirates, descending upon a target, buying, threatening, stealing, much the way the British Admiralty used the Barbary pirates in the 1700s.

According to Russian economics expert Vladimir Panskov, as quoted in the Vienna *Wirtschafts Woche* of Nov. 16, 1995, "20% of oil production, 34% of fertilizers, and 45% of non-ferrous metals are illegally exported out of the country." South American cocaine and Golden Crescent heroin and hashish turn up in the same Baltic ports that handle the metals outflow. The criminal commodities trade provides a means for laundering the proceeds of both raw materials and narcotics smuggling.

According to sources, London's Transworld Metals operates in combination with Rich. It is reportedly the world's third largest aluminum producer. Once owned, and perhaps still, by London interests around Henry Ansbacher Holding, it was assigned to take over the Russian aluminum industry based in Siberia. By 1995, Transworld owned the majority of shares in smelters in Bratsk (50%) and Sayansk (68%), and tried to take over the Krasnoyarsk smelter. These smelters, some of the largest in the world, used to supply the Russian aircraft industry. Within its current borders, Russia has no supplies of the raw materials alumina and bauxite. IMF pressure against Russian state subsidizing of industry made it impossible for these firms to import alumina.

In stepped Transworld, which provided the financing for importing alumina, rented the Russian factories, for about $500 a ton, took possession of "their" aluminum, which was shipped out of a Pacific dock Transworld built in Vanino on the Sea of Japan, and into Rich's market for "Russian" aluminum. Through the rental procedure, called tolling, little money went into urgent maintenance, and nothing was set aside for retooling up to current technological standards. Through corruption and threats, Transworld picked up from within the management, more and more shares of stock.

Most of the deals organized by Rich and others, used the foreign sale of raw materials commodities to launder money out of the country. Zug, Switzerland prosecutors are investigating, for criminal money laundering, the whole gamut of Russian deals by Zug-based commodities firms. The laundry works by falsifying billings, building into the commodity transaction price discrepancies which result in money leaving the country. The LME-connected trade in derivatives permits imaginative variations to the scheme.

With Philip Morris International, Transworld pioneered a variant on this. By September 1990, Philip Morris had made arrangements with Boris Yeltsin, then head of the Russian Federation, for the import of Marlboro cigarettes. Overnight, a black market in Marlboros and other Western brands sprang up in Germany where the Western Group of the Red Army was stationed until 1994. Billions of cigarettes were pumped through the military transportation system, and into the hands of Russian emigré and other mafia black marketeering rings.

Within Russia, Philip Morris was accumulating rubles from their retail and wholesale dealings. Transworld offered a service, used by probably 100 other companies, to unload rubles accumulated within Russia for hard currency abroad. Transworld would use Philip Morris's rubles to pay the tolling fee at the Russian smelters, and simultaneously Transworld transferred to Philip Morris, in a bank account abroad, dollars earned from the marketing of their Russian aluminum.

Transworld ran its alumina supply operation with its Monte Carlo-registered joint venture, Trans-CIS Commodities, a partnership with the Chernoi brothers from Tashkent, Uzbekistan. The Chernois now reside in Israel. Russian investigations into Transworld, Chernoi, and the flight capital scheme have generated press coverage, but no arrests.

But, opposition began to grow inside Russia. In January 1995, the newly appointed head of the State Property Committee, Vladimir Polevanov, who replaced IMF darling Anatoli Chubais, stated that it might be necessary for reasons of national security to renationalize some key industries. He meant the aluminum industry and Transworld, and, was promptly fired as a sacrifice to the IMF.

As 1995 progressed, opponents of Transworld Metals and its partners in Russia began turning up dead. One such opponent was Feliks Lvov. Lvov had been trying to put together with the New York-based AIOC metals firm and some Russian banks a new bauxite-alumina supply operation to break London's stranglehold.

In May 1995, Lvov had testified before a Duma hearing against the looting practices in the aluminum industry, pointing the finger at Transworld's Trans-CIS front, and the Moscow Menatep Bank which had worked with Trans-CIS. Menatep's head is World Bank darling Mikhail Khodorkovsky, who stated in an interview, "I am convinced that there is a chance for Russia to change from an industrial society into a post-industrial one."

In July 1995, two of the bankers working with Lvov were murdered. On Sept. 8, 1995, Lvov himself was gunned down outside Moscow. AIOC was slated for bankruptcy, and Rich began buying up chunks of AIOC's trading divisions.

Cyprus and the Balkan route

Philip Morris also paved the way for the Balkan route that brings drugs into Russia through the back door. From the 1960s on, Philip Morris sold container-loads of Marlboros to wholesale smugglers through Belgrade, Yugoslavia, and Sofia, Bulgaria, who then handled the smuggling to Italy's Camorra and Mafia. Another center for this smuggling was Cyprus, where cargo went by speedboat or ship into Adriatic ports. Beginning in the 1970s, these well-lubricated relations were used to handle a massive heroin pipeline from Southwest Asia's Golden Crescent to western Europe and the United States. With the escalation of the Lebanese civil war, a multibillion-dollar, drugs-for-weapons underground economy emerged, with Cyprus replacing Beirut as the eastern Mediterranean's dirty-money center.

Cyprus, home of two British military bases, is today the main jumping off point for the networks controlling Russia's raw materials trade and flight capital. Over 7,000 Russian offshore companies are registered in Cyprus, and 8 of the 26 foreign banks there are Russian. According to the *Wall Street Journal,* phone traffic between Cyprus and Russia dominates the island's modern telecommunications exchange. Cyprus was used in the 1991 sale of $1 billion in Soviet gold reserves from Tashkent. Cyprus has also conveniently been an outpost of British Empire intelligence operations since the days when the British fleet controlled the Mediterranean. London's Barclays Bank dominates Cyprus, along with France's Banque Nationale de Paris.

Most of Moscow's banks run their currency speculation via accounts in Western banks. Moscow's Stolichny Bank, one of the recipients of large New York Fed dollar sales, has a Vienna company, owned by Stolichny's president, Smolenski, which runs its currency and financial transactions primarily through the Dutch ABN Amro Bank branch in Vienna. Stolichny and its Vienna partners were investigated in 1993 in a $25 million fraud case.

How drugs can be wiped out, totally

by Dennis Small

Outside of moral indifferentism and the overt promotion of every-man-for-himself hedonism, there are two recurring arguments wielded in defense of the legalization of drugs. The first, is that legalization will cut drug prices drastically, and thereby take the high profitability (and concomitant violence) out of the trade. We addressed that false argument in the opening section of this report, where we proved that Dope, Inc. has itself *deliberately* lowered the prices of cocaine and heroin over the last two decades, as a classic marketing technique designed to increase the market for their "product." Their strategy succeeded. To do more of the same, under the guise of legalization, would only ensure a vast new increase of drug consumption.

The second argument is pure, cultural pessimism: Drugs cannot be stopped, so we may as well learn to live with them. Many then go on to cite the experience of the last decade—but especially of George Bush's phony "War on Drugs"—as "proof" that you just can't win. Even the well-intentioned Clinton administration is promoting the pathetic formulation that "this is not a war" to be won or lost, but rather it is like "fighting cancer"—which presumably means that we are destined to lose the battle.

However, a proper review of the last decade's anti-drug efforts—both the successes and the failures—points to a different set of conclusions:

1. *Crop eradication* is effective. Even with primitive technologies, upwards of 25% of the world's marijuana crop is being eradicated.

2. *Seizures* and drug interdiction can also do serious damage. Again with poor equipment and resources, more than 25% of world cocaine production was seized over the last ten years.

3. *Stopping drug money laundering* will never work . . . if it isn't tried. The story here is that a serious effort has yet to be made, *by any country anywhere in the world,* on this, the most decisive front in the war on drugs.

To effectively dismantle Dope, Inc., it is necessary to act in a coordinated fashion on all three of these fronts. They are the three legs of the stool; without all three, the policy will not stand up.

The final, related consideration, is that the drug trade has to be fought simultaneously, in a coordinated fashion, on a global scale. Since Dope, Inc. is a multinational enterprise with operations in dozens of nations, it does little good to shut it down in one country only: It will simply move its operations to a more favorable environment.

Eradication

Figure 25 shows the disposition of the total quantity of marijuana cultivated worldwide, over the ten-year period 1985-95. Most noteworthy is that a full 26% of what was planted, was eradicated. The United States, the largest producer in the world, eradicates an estimated one-third of its crop (the DEA claims it destroys one-half, but a review of the literature indicates this is overly optimistic).

Mexico, however, is the world leader on the eradication front: In 1995, they eliminated 11,800 hectares of marijuana, out of a total of 18,700 cultivated; that is, about two-thirds of the total. How do they do it, with almost no resources, and less in the way of technology? In general, thousands upon thousands of Mexican soldiers are deployed into the drug-producing zones to chop down marijuana plants with machetes and other rudimentary equipment. Aerial surveillance and spraying with defoliants occurs in some cases, but is by no means the rule. As U.S. anti-drug director Gen. Barry McCaffrey reported on April 8, 1996: "The Mexican Army has eradicated more illegal drugs in the last year than any other nation on the face of the Earth. And they did this at the risk of their own lives, and [there was] a lot of hard work and sweat and blood involved in that."

If Mexico is able, with such methods, to knock out two-thirds of its marijuana before it is ever harvested, imagine what could be done with the application of serious resources and technologies. Satellite mapping and sophisticated aerial photography are capable of pinpointing every hectare cultivated, by crop type, on the face of the earth. Such capabilities have existed for almost *two decades.* As *21st Century Science & Technology* magazine explained in its January-February 1990 issue, a 1978 joint study by NASA and the Mexican government proved the case:

"The remote sensing techniques developed at NASA's Earth Resources Laboratory to monitor agricultural crops from Landsat satellites [can] be used to detect cannabis. The particular radiation reflectance signature for the marijuana crop was determined to be in the 1.55 to 1.75 micron band, in the infrared part of the electromagnetic spectrum.

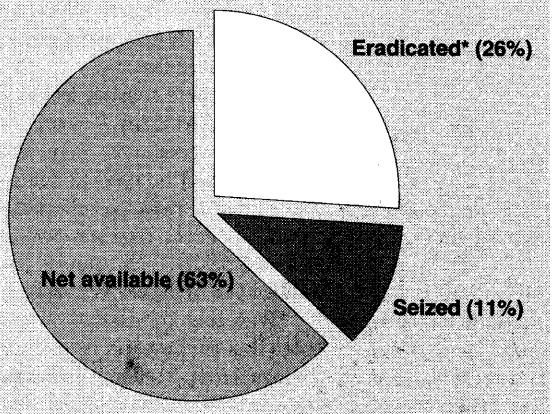
"With this knowledge, NASA analysts could find the cannabis fields from the air. A multispectrum scanning instrument (MSS) from NASA, mounted under the wing of a Lear 35 jet, could cover 12,000 square miles of Mexico per day. The entire country could be mapped every 15 days, to allow crops to be targeted for destruction almost as soon as they started growing."

Once the drug crops are detected, highly effective herbicides, such as glysophate, can then be applied massively, using virtual air flotillas protected by the respective national air forces, if necessary. For hard-to-reach mountainous areas and deep valleys, modern, armored helicopters can be equipped for the task.

Environmentalist arguments against such spraying are specious. Herbicides have been designed that are damaging only to the drug crops, and not to other plants. As for the purported harmful effect on the poor, unsuspecting consumers, they should protect themselves by simply not consuming the illegal substances in the first place. In any event, there is some question whether the herbicide does more damage, or the pot or cocaine does.

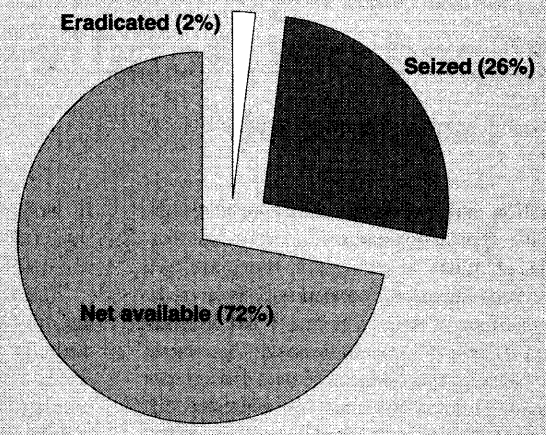
Marijuana cultivation in the United States poses a greater challenge to eradication, but it is far from an impossible task. The first problem is a political one: Much of the marijuana cultivation occurs on national parks land, and the environmentalist lobby is a powerful obstacle to serious eradication. Secondly, over recent years, much of domestic production has been moved indoors or underground, into vast, technologically sophisticated plantations which are not detectable with standard aerial surveillance. Here, however, infrared photography, which is heat sensitive, is very useful. So, too, is the measurement of unusually high rates of water and electricity consumption in areas where they are not warranted. Similarly, the discharge of unauthorized chemical effluents can be readily detected,

FIGURE 25
Marijuana eradication and seizures
percent of total quantity cultivated, 1985-95



* Colombia, Mexico, and the United States.
Sources: NNICC; INCSR; DEA; NORML; PGR, Mexico; *EIR.*

FIGURE 27
Cocaine eradication and seizures
percent of total quantity cultivated, 1985-95



Sources: NNICC; INCSR; OFECOD, Peru; PGR, Mexico; *EIR.*

and point to probable indoor drug facilities. In fact, the Environmental Protection Agency is reportedly already providing the DEA with useful assistance in this regard.

The same basic approach can and must be applied to other drugs, including opium and coca. Today, only 5% of the opium crop is eradicated (see **Figure 26**), while less than 2% of the total coca crop is eradicated.

Eradicating a quarter of a drug crop, as currently occurs with marijuana, is not enough to seriously dent the supply. In fact, it may only serve to maintain market control and weed out the competition. However, what if 90% were to be eradicated? If there is sufficient political will from the national governments in question, and adequate technology and other resources provided by the more affluent nations (the United States in particular), it is not unreasonable to suggest that as much as 90% of all three major illicit drug crops—marijuana, opium, and coca—could be eradicated on the spot.

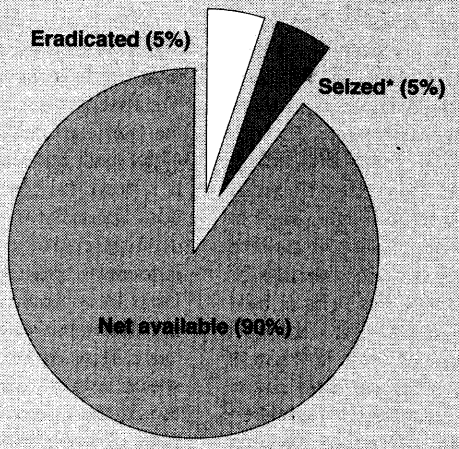
Seizures

Figure 27 shows what has happened with coca and cocaine over the past decade. Here the level of eradication is pathetically low—2%. There is organized political resistance to such programs in all three producer nations—Peru, Bolivia, and Colombia—by "peasant" associations financed by the dr cartels and their allied UN-based non-g ernmental organizations (see *EIR,* Nov. 10, 1995, "New Terror International Targets the Americas"). Furthermore, there are major problems at the level of the respective governments: President Samper Pizano of Colombia is owned, lock, stock, and barrel, by the Cali Cartel; President Sánchez de Lozada of Bolivia is a member of the pro-drug Inter-American Dialogue, and has himself openly advocated drug legalization; and President Alberto Fujimori of Peru has staunchly refused to eradicate, for fear of driving millions of Andean peasants into the arms of the Shining Path narco-terrorists, and for fear of losing the hundreds of millions of drug dollars which enter the Peruvian economy every year and without which Peru could not service its foreign debt.

Cocaine seizures, however, are a somewhat brighter picture, with 26% of everything produced between 1985-95 having been intercepted and seized by various national authorities. The United States makes about 40% of the total worldwide seizures, but even here, the resources deployed are woefully inadequate to the task.

First, there is the question of aerial a maritime detection and intercepti Cooperation between the United States and various Ibero-American governments has improved somewhat over the recent period,

FIGURE 26
Illicit opium eradication and seizures
percent of total quantity cultivated, 1985-95



* as heroin.
Sources: NNICC; INCSR; UN; Abt Associates; ANF, Pakistan; NALA; EIR.

with some U.S. radar equipment and technical support being provided to Peru, Colombia, Mexico, and other countries. But it is far less than what is needed to really dent the trafficking. A full complement of ground radar and linked AWAC capabilities needs to be deployed, which would detect all unregistered flights and immediately transmit the information to national military units each assigned to patrol their own territory and air space. In-depth technical cooperation and intelligence sharing, with strict respect for national sovereignty, is called for in such efforts.

Second, there is the monumental problem of inspecting all of the cargo which *legally* enters the United States. DEA officials estimate that a mere 3% of the 8-9 million containers entering U.S. ports annually are actually inspected today. Similarly, hundreds of millions of passengers cross the borders, as do about 12 million air cargo shipments, and something like 47 million trucks—a mammoth screening challenge. Even in those cases where inspection does occur, the drug traffickers are constantly developing ingenious new ploys to foil existing detection systems: packing cocaine inside concrete posts eludes X-rays; placing packaged cocaine deep inside blocks of frozen shrimp stymies drug-sniffing dogs; hiding cocaine in canned tuna lots, where only one can in a thousand is not legitimate, stands an excellent chance of passing inspection; and so forth.

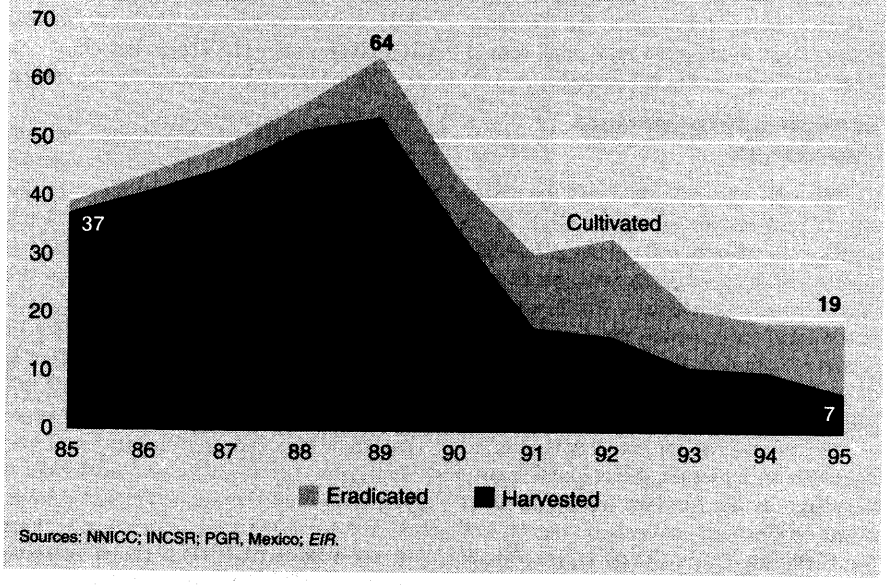
Only the extensive introduction of new detection technologies will turn the tide. For example, Magnetic Resonance Imaging (MRI) technologies, today applied routinely in the medical field, hold promise for the war on drugs. Here the detection system excites atomic nuclei in the scanned material and, by "reading" the atomic signature of elements, is able to locate the presence of illegal narcotics. Currently, however, only relatively small targets (such as letters or packages) can be effectively scanned this way. Other technologies under development, such as the Explosive/Contraband Detection System (E/CDS) which uses alpha and gamma rays, can handle somewhat larger packages, perhaps 2×2×2 feet—still substantially smaller than standard cargo containers (8×8×40 feet).

Another promising possibility is to use neutron beam technology, developed in the 1980s to verify nuclear and chemical weapons disarmament accords, in the anti-drug war. The technology was designed to put a Soviet nuclear missile through a screening system and count the number of warheads on it, because existing treaties did not allow the physical opening of the missile. The converted version of the technology consists of a kind of gantry through which up to 30 containers per hour can be moved, while a neutron beam scans their contents and tells customs agents what chemical elements they contain.

Although much work is still required, it is evident that such an approach is feasible. Once achieved, all containers entering the United States could be subjected to scanning by such detection systems, and there would be a gigantic jump in the amount of drugs seized. This, combined with the aerial interdiction described above, would be capable of seizing not 25% of the drugs shipped—as with cocaine today—but perhaps 75% or more of the amount of all drugs shipped.

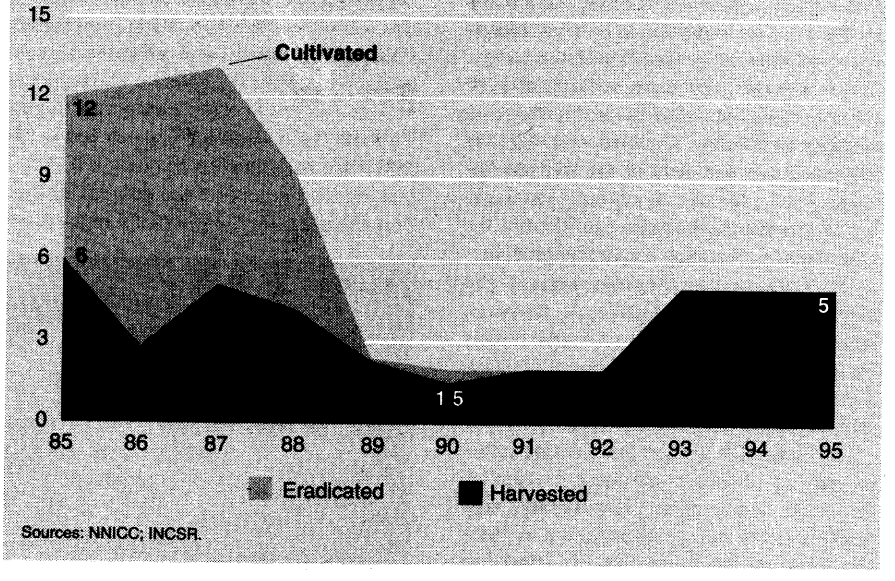
So, if only 10% of the drugs cultivated

FIGURE 28
Marijuana eradication in Mexico
thousands of hectares



Sources: NNICC; INCSR; PGR, Mexico; *EIR*.

FIGURE 29
Marijuana eradication in Colombia
thousands of hectares



Sources: NNICC; INCSR.

gets past the eradication stage, and if only 25% of that reduced amount gets past the seizure stage, we are talking about only 2-3% of the total amount initially cultivated actually making it through to the consumer market. That would put a substantial dent in Dope, Inc. But it is still not enough.

Stopping drug-money laundering

The third leg of the stool, and the key to any successful anti-drug strategy, is to aggressively identify and put out of business any and all financial institutions that engage in drug money laundering—which, after all, is the level from which the drug trade is actually controlled. It is at this point in the discussion that people normally start getting very nervous.

The reason, as we have documented elsewhere in this report, is that global money laundering is run from the top by the most powerful financial interests on the face of the Earth: the City of London, the British Commonwealth, and associated forces.

But once the political will is established to carry out the task, here, too, modern technologies are available. Besides introducing anti-money-laundering legislation in countries where it doesn't now exist, and closing all the obvious loopholes in existing reporting regulations in countries like the United States, real-time computer tracking of even the most sophisticated money-laundering schemes is possible. Coupled with banking transparency—the bane of the free marketeers—such computer monitoring and tracking of suspect transactions can identify the vast majority of money laundering globally.

As important as they are, none of the above measures will be effective, however, unless they are carried out on a global scale by a coordinated effort among sovereign nation-states. The following case study shows why.

In **Figure 28** we see the growing effectiveness of Mexico's marijuana eradication campaign, beginning in 1989. In 1988, only 4,500 hectares were eradicated; but in 1989, according to official statistics, this more than doubled to 10,200 hectares eradicated. In subsequent years, equivalent amounts, and more, were eradicated, reaching a high of 16,900 hectares eradicatad in 1992. As the graph shows, the effect of that campaign was not only to eliminate the specific hectares in question, but it also significantly discouraged cultivation in general, which, as a result, dropped from over 64,000 hectares planted in 1989, to less than 19,000 in 1995—a 70% decline in only six years. The area harvested dropped during that same period by an even greater 87%—from 53,900 hectares in 1989 to 6,900 in 1995. In terms of marijuana output, Mexico went from producing an astonishing 30,200 tons in 1989, to "only" 3,650 tons in 1995.

Was Dope, Inc. concerned? Not particularly.

At precisely the point that Mexico began to put a dent in its marijuana output, Dope, Inc. took steps to make sure that another major producer, Colombia—which itself had been successfully eradicating in the mid-1980s—was brought back on line as a major source. As **Figure 29** shows, in 1985, under the government of Virgilio Barco, Colombia was eradicating half of its cultivated marijuana: 6,000 of 12,000 hectares. Over the subsequent four years, the eradication campaign, which made very successful use of glysophate herbicide, in particular, forced the total amount cultivated and harvested to drop drastically, down to a low point of 1,500 hectares harvested in 1990—a 75% drop from five years earlier. But then, under the César Gaviria (1990-94) and current Ernesto Samper governments, *all* marijuana eradication ceased—to the delight of the British-run environmentalists, the British-run legalization lobby, and the British-run drug cartels. Predictably, marijuana production rose back up to nearly the levels it had achieved before the eradication campaign began. Thus, in 1995, Colombia produced 4,133 tons of marijuana, to Mexico's 3,285—beating Mexico out for the dubious distinction of being Ibero-America's biggest pot producer, for the first time since 1982.

The moral of the story is, that Dope, Inc. must be defeated everywhere, if it is to be defeated anywhere. With that in mind, we recall for the reader the prescient remarks by Lyndon LaRouche to an *EIR*-sponsored anti-drug conference in Mexico City, held over ten years ago, on March 13, 1985, just as Dope, Inc.'s "Development Decade" was getting under way:

"It is clear to the governments fighting the international drug-traffickers, that the drug-traffic could never be defeated if each of our nations tried to fight this evil independently of the other nations of this hemisphere. If the drug-traffickers' laboratories are shut down in Colombia, new laboratories open up in Brazil. . . .

"The greatest political threat to democracy in Venezuela, Colombia, Peru, and other countries, is the use of the billions of revenues held by the drug-traffickers to fund terrorist armies. . . . It is impossible to break the ominously increasing political power of the drug-traffickers . . . without capturing the billions of dollars of drug-revenues run through corrupt banking institutions. . .

"Special attention should be concentrated on those banks, insurance enterprises, and other business institutions which are in fact elements of an international financial cartel coordinating the flow of hundreds of billions annually of revenues from the international drug-traffic. Such entities should be classed as outlaws according to the 'crimes against humanity' doctrine elaborated at the postwar Nuremberg Tribunal."

Eradication of marijuana fields in Virginia. Marijuana cultivation poses a challenge to eradication efforts, but is by no means an impossible task, especially if advanced technologies are used.

LaRouche's war on drugs: a bibliography

Lyndon H. LaRouche, Jr. and his associates have been in the forefront of a campaign for a military war against the global narcotics trade since the 1970s. Below are their principal case-studies and exposés.

Sept. 12-23, 1978: *EIR,* "Why the World Bank Pushes Drugs," details how the international monetary institutions enforce economic policies which have driven Third World nations into producing drugs as cash export crops, in order to pay their foreign debts.

December 1978: *Dope, Inc.: Britain's Opium War against the United States,* commissioned by LaRouche and written by a team of *EIR* researchers. The exposé of the financial and political networks behind the multibillion-dollar international drug trade became an instant best-seller.

June 1980: *War on Drugs,* Vol. I, No. 1, is published. The magazine of the LaRouche-founded National Anti-Drug Coalition, it names the names of the "citizens above suspicion" in the drug legalization lobby and behind the dope trade.

July 1980: *The Ugly Truth About Milton Friedman.* Co-authored by Lyndon LaRouche, this book documents the Nobel economist's role in pushing drug legalization as the essence of "free enterprise."

February 1985: *Narcotráfico, SA: La Nueva Guerra del Opio.* The translation of *Dope, Inc.* causes a furor across Ibero-America. Within days, it is banned in Venezuela, on the demand of the powerful Cisneros family. A few months later, Peru's Ulloa family tries, in vain, to do the same.

April 2, 1985: *EIR,* "A Proposed Strategic Operation against the Western Hemisphere's Drug Traffic," a speech by Lyndon LaRouche for a March 13, 1985 *EIR* conference, in Mexico City. The text, along with its 15-point program for a military war on drugs, is published in November 1985, in LaRouche's election platform, *A Program for America,* and in the 1986 edition of *Dope, Inc.*

July 1985: *EIR Special Report,* "Soviet Unconventional Warfare in Ibero-America: The Case of Guatemala," is a case-study of narco-terrorism.

June 1986: *Dope, Inc.: Boston Bankers and Soviet Commissars.* Second edition of *Dope, Inc.,* includes new sections on the dope cartel's command structure, the drug traffic in Ibero-America and Southwest Asia, and the Soviets' role in running the drug trade with the British and their Boston Brahmin retainers.

July 8, 1988: *EIR,* "How the Banks Got Hooked on Ibero-American Drug Money," proves that the international financial institutions encourage Third World drug production to facilitate payment of the foreign debt, and shows how they promote legalization as the next phase to keep their moribund world financial system alive.

June 23, 1989: *EIR,* "Kissinger's China Card: The Drug Connection," is an exposé of the involvement of Henry Kissinger with the major Hongkong dope banks.

January-February 1990: *21st Century Science & Technology,* "Yes, We Can Win the War on Drugs!" describes the technologies—aerial detection, radar, remote sensing scanners—available for a high-tech war on drugs, and counters the naysayers who claim that we must surrender to the cartels.

Nov. 9, 1990: *EIR,* " 'Dope, Inc.' Doubling Every 5 Years; Next Target Europe," debunks the Bush administration's pretense that U.S. drug use is declining; *EIR* warns that the growing narcotics cartel is targeting Europe.

Feb. 8, 1991: *EIR,* "Where Are the Sorties against U.S. Pot Fields, Mr. Bush?" U.S. marijuana production has soared as the economic depression has destroyed American agriculture.

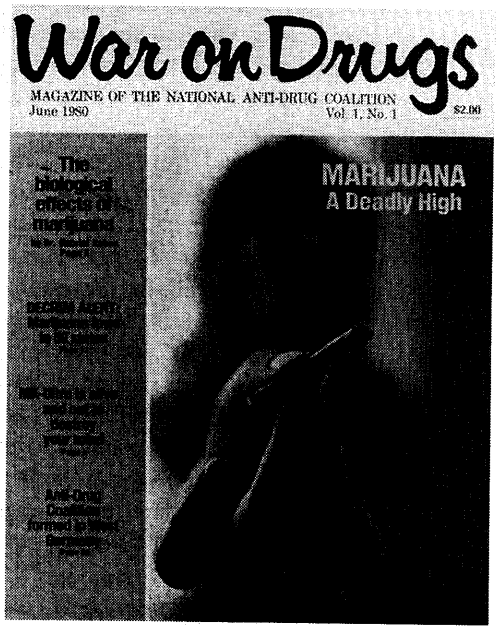
April 1991: *EIR Special Report,* "Bush's Surrender to Dope, Inc.: How U.S. Policy is Destroying Colombia." Official U.S. policy under President Bush fostered Colombia's "truce" with the drug traffickers, turning it into a testing ground for global drug legalization and setting the stage for the current narco-democracy.

Aug. 23, 1991: *EIR,* "Dope, Inc. Expands in Asia," The creation of "free trade zones" in Asia's formerly communist regions, became fertile ground for the drug trade.

June 1992: *Dope, Inc.: The Book That Drove Kissinger Crazy.* Third edition of *Dope, Inc.,* adds new material on the phenomenal growth rates of the global drug trade, on China's role in international drug trafficking, and on the Anti-Defamation League of B'nai B'rith.

May 21, 1993: *EIR,* "IMF Free-Traders Turn East Europe into Smugglers' Paradise," under IMF-imposed "free trade" policies; exposé has special focus on Seagram's and Philip Morris.

Nov. 10 and Nov. 17, 1995: *EIR,* "London's Irregular Warfare vs. Nations of the Americas." Eighty pages on the Cuba-spawned São Paulo Forum, detail who is behind this "Narco-Terrorist International," created to sow separatism, drugs, and terrorism.



Clinton pulls Samper's visa for abetting drug trade

by Robyn Quijano

When U.S. President William Clinton stripped Colombian President Ernesto Samper Pizano of his U.S. entrance visa on July 11, under a provision in the U.S. Immigration and Naturalization Act which "provides for visa ineligibility when there is reason to believe that the individual has knowingly assisted or abetted illegal narcotics trafficking," the British plot to use Samper in their drive for international drug legalization took a hit. Cries that the move would cause a nationalist backlash against the United States have been muted by the evidence that it has given Colombian patriots the maneuvering room to take their nation back from rule by Dope, Inc. The British, and the entire Britsh-run apparatus within the United States, from Henry Kissinger to the Inter-American Dialogue, had worked overtime to stop any escalation of Clinton's battle with Samper's narco-dictatorship.

Samper responded to the cancellation of his visa by reiterating his long-standing refusal to resign, declaring it now a "a question of principles," which would mean surrendering Colombia's "dignity " and "sovereignty." But *El Tiempo,* a Liberal Party daily that has previously backed Samper, called for his resignation, and business leaders and other opponents, who have demanded that Samper step down since the beginning of this year, renewed calls for his resignation.

Demands for Samper to get out

The day after the visa was rescinded, the editorial of *La Prensa* declared: "The truth is that Ernesto Samper has turned Colombia into a narco-democracy and an earthly paradise for organized crime. . . . Today Ernesto Samper, thanks to his brotherhood with the Cali Cartel, is a universal citizen of infamy and secretary general of narcotics trafficking."

The conservative daily *El Nuevo Siglo,* in its main editorial the same day, warned, "Surely he will ask us all to wrap ourselves in the national flag so Samper and his friends can maintain power." The editors reiterated their long-standing call for Samper's resignation.

Rumors that the United States is preparing to indict Samper are circulating in Colombia and throughout the region. A high-level law enforcement official told *EIR* on July 17 that an indictment is possible.

According to widely read *El Tiempo* columnist Enrique Santos Calderón, Samper may end up indicted by a U.S. court: "The withdrawal of the visa did not merely refer to Samper's witting acceptance of narco-money for his campaign, but [to the fact that] in exchange for that financing, he encouraged policies designed to protect and encourage the interests of the drug cartels."

In what looks like the first major defection from Samper's camp by a national board member of his own ruling Liberal Party, Ines Gómez de Vargas told the press, "Intolerance and violence are growing daily because sometimes one feels that one is not living in a democratic country, but that a dictatorship is being established here. . . . The possibility of dissent doesn't exist, and those who dare to think differently are struck down."

The day after the corrupt Colombian Congress absolved Samper of criminal charges that he knew about drug cartel contributions to his 1994 election campaign, because of "lack of evidence," Samper's lawyer announced that anyone who repeated the charges would be sued. But opponents and former allies have suffered more than legal harassment.

In an interview with *El Tiempo,* former Samper campaign treasurer Santiago Medina revealed that just before his arrest an assassin was sent by the Samper crowd to shut him up, but that he was tipped off in time. He had been given some damaging evidence against Samper and company by one-time